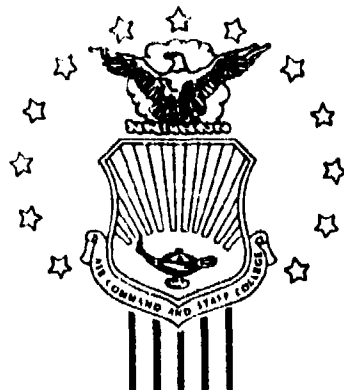


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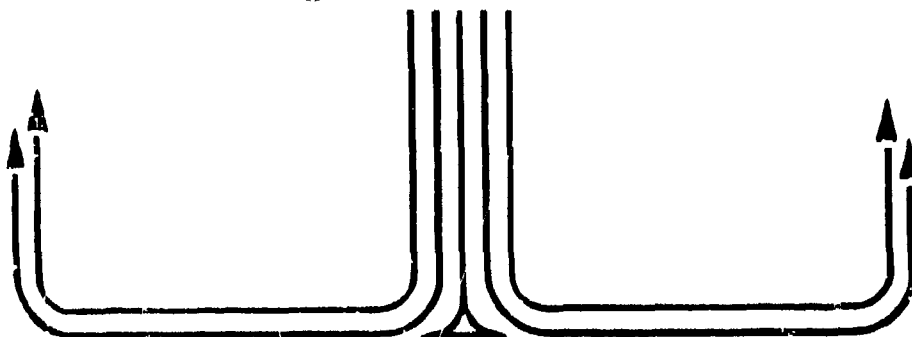
STUDENT REPORT

A HISTORICAL ANALYSIS OF THE BIENNIAL
BUDGET PROCESS

MAJOR FRANK R. LAWRENCE

88-1545

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REPORT NUMBER 88-1545

TITLE A HISTORICAL ANALYSIS OF THE BIENNIAL BUDGET PROCESS

AUTHOR(S) MAJOR FRANK R. LAWRENCE, USAF

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Submitted to the faculty in partial fulfillment of
requirements for graduation.

**AIR COMMAND AND STAFF COLLEGE
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19. ABSTRACT (Continue on reverse if necessary and identify by block number) This paper contains a chronologic review of the events leading to passage of the 1986 Defense Authorization Act and subsequent implementation of BPPB and biennial budgeting in the Department of Defense. The paper goes on to analyze biennial budgeting and BPPB in terms of the problems they were intended to solve. Finally, this project recommends additional measures to further enhance the budget preparation and enactment process.			
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PREFACE

Budgeting is a very complex and fascinating subject. Its complexity arises from its immersion in politics. Hardly a year goes by without charges flying back-and-forth between Capitol Hill and the Pentagon over mismanagement and misallocation of funds. This also adds to the fascination of budgeting. One would think a subject so closely tied to mathematics would be equally precise and sedate. It is not.

Approximately 27 years ago, Robert S. McNamara introduced the Pentagon to modern management techniques in the form of Planning, Programming and Budgeting (PPB). While he was at the helm, very few changes were made to the process. However, beginning with the change of administration in the late 1960s, the process immediately became one of the chief topics of public study and debate. People were trying to decide what changes could be made to bring increased efficiency and effectiveness to the allocation of scarce resources.

This paper describes one aspect of this political drama. The evolution of biennial budgeting and its committant budget creation process, BPPB. Chapter One reviews PPB to refresh the reader's mind on terms, dates, and linkage. Chapter Two is a chronologic review of the events leading to biennial budgeting for the Defense Departments. Congressional testimony, articles, illustrations, reports, and public statements are used to reconstruct the history. The focus is on defining the problem and showing how biennial budgeting became the solution to it. Chapter Three analyzes BPPB and biennial budgeting to ascertain if they have the capacity to remedy the problems they are purported to fix. The chapter dissects each in sequence accompanying each of the problems with various facets of the procedure. Where a disparity exists the chapter offers additional treatments to bring the system into line with expectation.



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The treatment of the federal budget reflected in this text comes strictly from reading, research, and study of publications. The author has no personal experience in this area. The prescriptions for various ailments central to the analysis of Chapter Three come directly from research material and the author's own thought processes.

ABOUT THE AUTHOR

Major Lawrence received his Bachelor of Science Degree in Biology from Penn State University in 1973. He was commissioned in April 1974. He received a Master of Arts (MA) in Business Management from The University of The Philippines in 1983, and, in 1987, completed MA with a dual major in Computer Resources and Procurement from Webster University. His Air Force assignments include tours in United States Air Forces Europe (USAFE), Tactical Air Command (TAC), Pacific Air Forces (PACAF), and Headquarters Air Force Manpower and Personnel Center (HQAFMPC).

Major Lawrence is a senior pilot with over 2000 hours. He is a graduate of the Air Force Fighter Weapons Instructor Course and attended the United States Navy (USN) Fighter Weapons School at Miramar Naval Air Station (TOPGUN). He attended Squadron Officer School (SOS) in 1977 and completed Air Force Command and Staff College by correspondence in 1983.

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EXECUTIVE SUMMARY

Part of our College mission is distribution of the students' problem solving products to DOD sponsors and other interested agencies to enhance insight into contemporary, defense related issues. While the College has accepted this product as meeting academic requirements for graduation, the views and opinions expressed or implied are solely those of the author and should not be construed as carrying official sanction.

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REPORT NUMBER 88-1545

AUTHOR(S) MAJOR FRANK R. LAWRENCE, USAF

TITLE A HISTORICAL ANALYSIS OF THE BIENNIAL BUDGET PROCESS

Problem: How did biennial budgeting evolve, and will it solve the Defense budgeting malaise?

Objective: To chronologically relate the history of biennial budgeting and analyze its efficacy.

Discussion of Analysis: Biennial budgeting and BPPB were analyzed in terms of how well they satisfied problems with Defense budgeting. The analysis called freely upon the knowledge, reasoning, and thoughts of many budgetary pundits. This information was critical in developing a plausible alternative.

Findings: Biennial budgeting treats symptoms not causes of budget problems. Hence, it offers the possibility of short term relief by masking those symptoms. It fails to make the requisite structural changes required of a lasting solution.

CONTINUED

Conclusions: Biennial budgeting is a first step toward solving the budget difficulties. BPPB, on the other hand, has tremendously improved the DoD budget preparation procedure but is limited in what it can do by the congressional budget review process.

Recommendations: First, Congress proceed with biennial budgeting to buy time to enact a lasting solution. Second, consider a combination of Senator Domenici's proposal to form a joint House-Senate budget committee, and Representative Obey's suggested omnibus budget bill. The combination of these two proposals represents the best method to streamline and consolidate the budget review process.

CHAPTER ONE: A HISTORICAL ANALYSIS OF BIENNIAL PLANNING, PROGRAMMING, AND BUDGETING SYSTEM

The *raison d'être* for this paper is to provide a historical analysis of Biennial Planning, Programming, and Budgeting System (BPPBS). To accomplish this task it is imperative to have a common grounding in the annual Planning, Programming, and Budgeting System (PPBS); otherwise, the definition of problems resulting in the need for change will be meaningless. Therefore, this paper begins with a cursory review of the PPBS process emphasizing those areas where friction leads to inefficiency and the perception of a need for revision. Secondly, the paper will chronologically review studies and reports penned between 1970 and 1986 advocating a new budgeting procedure. Finally, this paper will analyze the goals and objectives of the new budgeting procedure, BPPBS, to determine if it overcomes the shortcomings found in the annual PPBS.

In 1961, Planning, Programming and Budgeting (PPB) was introduced into the Department of Defense (DoD) by then Secretary of Defense (SecDef) Robert McNamara. The purpose of PPB was to reduce the cost of the nation's defense without impairing its overall effectiveness. In 1962, President Kennedy referred to the requirement for a method that would provide a more cost effective national defense force structure when he said, "While it is vital for us to maintain a military force structure that will insure our security and sustain our foreign policy commitments, it is also vital to our economic health that we operate this force at the lowest cost possible." (18:7) Since 1961 the PPB process has undergone numerous modifications to subjugate it to the various personalities of the sundry Secretaries of Defense, but it has always retained as its objective--an adequate military force structure at the lowest cost possible.

The PPB process has four distinct parts. The first three, planning, programming, and budgeting, are performed within the DoD. The last step is congressional review. It is performed within the legislative branch of the government with assistance from DoD. Figure 1 depicts the first three stages of the annual PPB cycle.

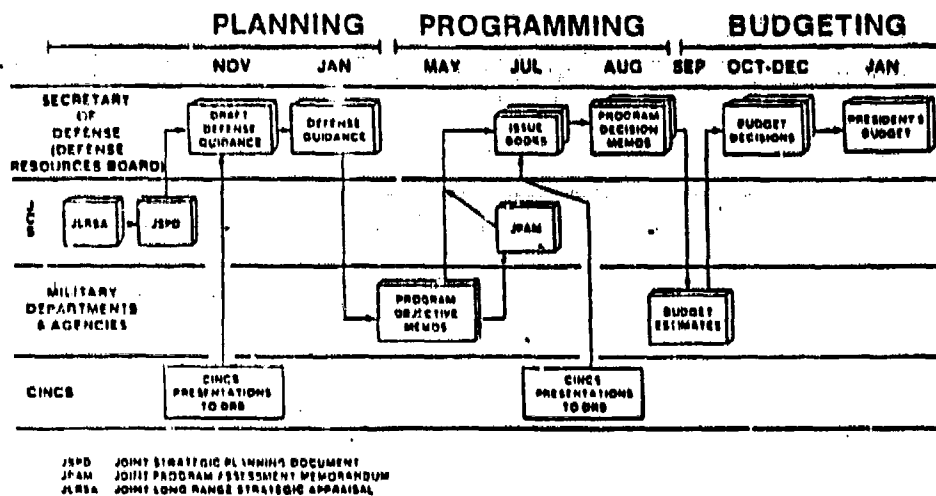
Planning

Planning is the first stage of the Planning, Programming, and Budgeting System (PPBS). The purpose of the planning phase is to fabricate a military strategy to support the President's grand strategy and national objectives. The Defense Resource Management Study describes the activities of the planning phase as follows: "... planning includes the definition and examination of alternative defense strategies, the analysis of exogenous conditions and trends, threat and technology assessment, and any other tasks associated with looking forward either to anticipate change or to understand the longer-term implications of current choices..." (64:1)

The planning phase is formally inaugurated with the creation of the Joint Long Range Strategic Appraisal (JLRSA) and the Joint Strategic Planning Document (JSPD). Work on these two documents begins 17 months before the budget is submitted to Congress and almost three years before the budget is put into effect. (66:23) The JLRSA identifies broad threats to national interests while the JSPD suggests US force requirements to counter the military threats. Both documents are used by the Office of the Secretary of Defense in preparing the Defense Guidance (DG). The DG covers a five year period. It provides the services with a summary of their respective missions and objectives. The DG also contains a single topline

Figure 1

DOD PPBS



Source: Defense Organization: The Need For Change Staff Report to the Committee on Armed Services United States Senate, S Report 99-86 16 Oct 1985 Washington DC: US Gov't Printing Office 1985. P.489.

fiscal constraint for each military department and agency to use in preparing its respective Program Objective Memorandum (POM) for the upcoming year. (64:5)

Programming

The second phase, programming, begins when the military department or agency receives the DG. The objective of this phase is to develop a force structure capable of accomplishing the assigned missions and objectives contained in the DG. The constraint (fiscal) is the limiting factor between what the services feel is needed and what is possible. After much debate and cost/benefit analysis, each military department/agency produces its POM - the centerpiece of this phase. The POMs, in aggregate, represent a listing of total program requirements over the upcoming five year period covered in the DG. However, because the POM is fiscally constrained, it also provides a risk assessment. The risk assessment is based on the difference between the ideal programs and those developed within the limitations of pecuniary reality. (103:64)

POMs are reviewed by Office of the Secretary of Defense (OSD), Joint Chiefs of Staff (JCS), and service staffs to ensure compliance with the DG and also to identify areas for possible consolidation or integration. The latter activity generates some key issues requiring SecDef attention. The services, JCS, and OSD prepare nine issue books for the Secretary of Defense outlining alternatives and arguments surrounding each key issue. Following review of the issue books by the Defense Resources Board (DRB) and SecDef, OSD publishes the Program Decision Memoranda (PDM). The PDMs represent the decision of the Secretary of Defense on the issues debated. The PDMs are the precursors to the budgeting phase.

Budgeting

The budgeting phase is the last phase of PPBS. Beginning in September of the year preceding the President's budget submission to Congress, the budget process continues within DoD until November. During this period DoD conducts an extensive review of the service Budget Estimate Submissions (BES). The BES is constructed by each service. It contains cost estimates for those service programs approved by the SecDef in the PDMs. Nothing in the BES is sacred. Even long standing programs come under scrutiny. (103:67)

By the end of November or early December, the President provides DoD with the Defense Total Obligation Authority (TOA). The TOA represents the maximum size of the DoD portion of the President's budget. After receiving the TOA, the Secretary, in consultation with Office of the Joint Chiefs of Staff (OJCS) and the military departments, makes a number of major decisions regarding which programs will remain in the budget and which will not. (45:556) In mid-December the Secretary of Defense again meets with the President and receives final instructions. Frequently, more critical decisions are made under a severe time constraint. The President must submit his budget to Congress within the first 15 days Congress is in session in the new year. "Often there are problems with this fourth step of the resource allocation process. Late decisions on the final government-wide economic assumptions by Office of Management and Budget (OMB), when incorporated into the almost completed DoD budget, usually cause last-minute adjustments in hundreds of budget line items, charts, and tables." (45:6) Finally, the Defense budget is incorporated into the President's budget and presented to Congress.

Congressional Review

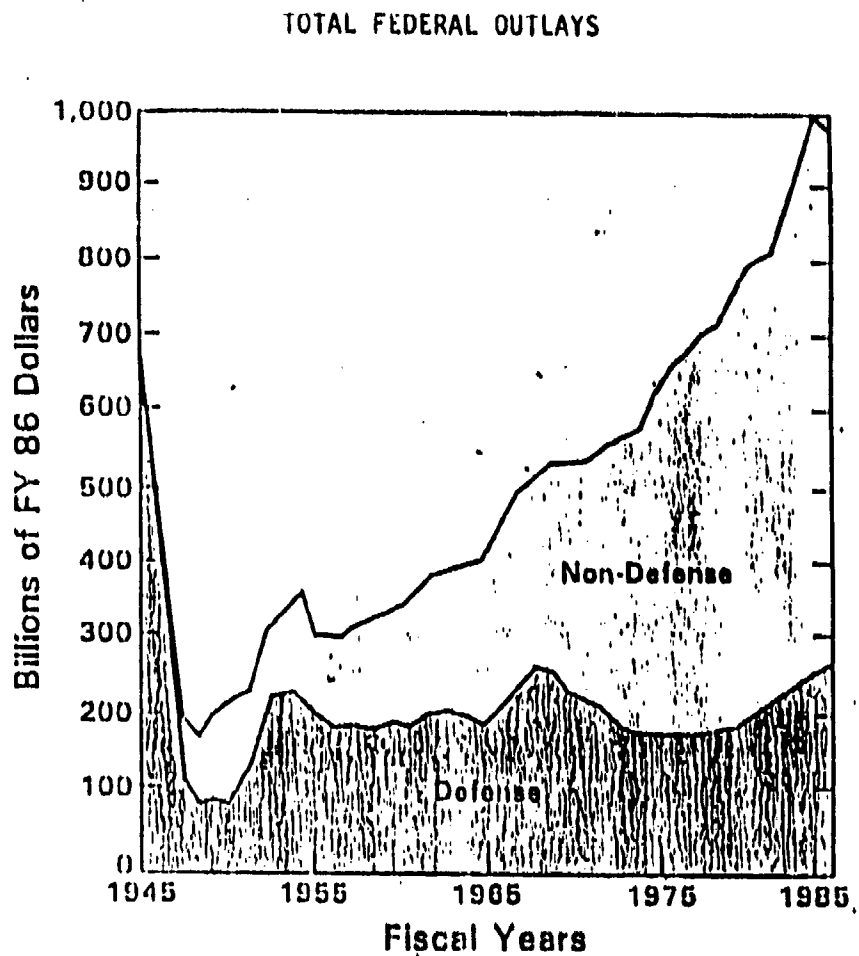
Submission of the budget to Congress technically marks the end of PPBS

within DoD and initiates the fourth step, congressional review. Congressional review must occur before DoD is able to allocate funds for any of its proposed programs.

Even though the Defense budget accounts for one-third of the entire federal budget (See Figures 2 and 3), it contains seventy percent of the funding Congress can directly control. (4:219) Therefore, it is normally the focal point of controversy and politics. Congressmen view the budget as a resource allocation instrument. As such, it represents physical evidence of their work on Capitol Hill. The evidence is transmitted to constituents in the form of jobs, funds, and other economic benefits. Hence, their review is intense and sometimes parochial. (6:142)

Congressional budget review is conducted in both houses of legislature. Each house has three committees dedicated to budgetary review and analysis. The three committees are Budget Committee, Armed Services Committee and Appropriations Committee. The role of the Budget Committee is to establish overall spending ceilings for each of the other committees. It does so by passing the first concurrent budget resolution. Next, the Armed Services Committee examines the budget and decides which programs may be funded. The output of this committee, the Defense Authorization Act, gives DoD the authority to spend funds subsequently allocated by the Appropriations Committee. The Appropriations Committee metes out the money for the Defense programs. The product of this committee action is the Defense Appropriation Act. In the event there is substantial disagreement between the House of Representatives and the Senate over spending in either of these bills, the matter is referred to conference. A joint committee, composed of members of both Houses, is convened to resolve the dispute. The compromise bill,

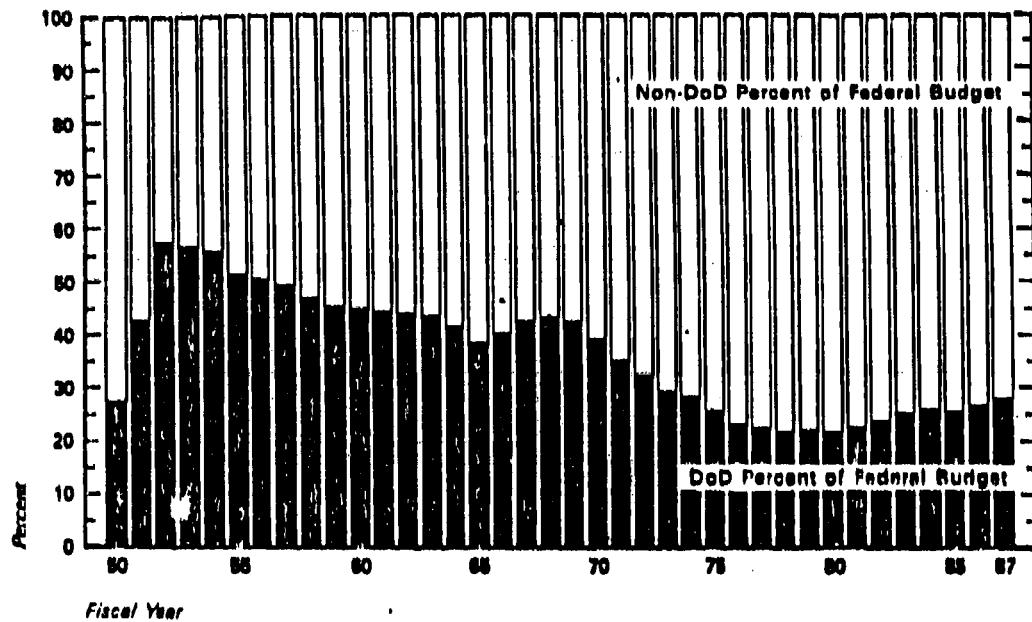
Figure 2



Source: Defense Department Authorization and Oversight Hearings on HR 1872 before the Committee on Armed Services House of Representatives. p.9.

Figure 3

FEDERAL BUDGET TRENDS



Source: Annual Report to the Congress Fiscal Year 1987 by Caspar W. Weinberger, Secretary of Defense. Washington DC: US Government Printing Office, 1986. p.100.

formulated by this committee, is reported to both Houses before being sent to the President for signature. Once the President signs the bill, DoD can begin to fund projects. (43:41)

This overview of PPBS has addressed all phases of the annual Planning, Programming, and Budgeting process. Using this survey as a foundation, the paper will now look at the results of reports and studies of the PPB system prepared by sapients in the field of defense analysis.

CHAPTER TWO: CHRONOLOGIC REVIEW OF PPBS AND BUDGETING

In this chapter, studies of PPBS and the budget process will be reviewed chronologically. The reader needs to be aware there is a very subtle yet distinct difference between PPBS and the budget. PPBS is a process while the budget is an event. PPBS is a tool used to produce a budget. The process is closely related to the event. So close is the relationship, many speakers fail to make a differentiation. Yet it is important to continually observe the distinction because of the assignment of organizations responsible for making corrections. PPBS is controlled by the Department of Defense while the budget process is under the control of Congress. When these studies uncover problems, the controlling agency assumes responsibility for devising and implementing a correction. If the discrepancy appears again, accountability is easier to assess.

This chapter looks into the studies of PPBS and the budget process because collectively they comprise the key reasons for DoD support of the FY 1986 Defense Authorization Act, the legislation that mandated the Defense Department submit biennial budget proposals. The studies, conducted for the most part by veteran government bureaucrats and renowned academicians reveal profound weaknesses in the budget preparation and review process. A weakness, in this context, is defined as a procedure that does not contribute to maximizing efficiency or effectiveness. This definition is derived from Secretary Weinberger's stated management goals for DoD. (24:67)

The reason for the chronological approach to this review is related to the evolution of the idea of biennial budgeting. The chronologic approach illuminates the thought process that conceived and adopted biennial budgeting

as a solution to perceived budgetary weaknesses. The sequential review also aids in the analysis of biennial budgeting. Was it an adequate response to the causal factors of the budgetary malaise highlighted by the budget experts? Or was biennial budgeting simply a politically digestible answer? Although the analysis does not take place until Chapter Three, the ground-work for it is laid here.

To facilitate this review the author has arbitrarily divided the chapter into several periods of varying lengths. The periods are: 1970-73, 1974-76, 1977-79, 1980-81, 1982-83, 1984-85, 1986, and 1987. The length of the periods is related to the amount of attention devoted to budget reform in general and biennial budgeting in particular. The early periods are longer than later periods. The reason for this phenomenon is best elucidated by an allegory. Figuratively speaking, the budget reform movement begins with fits and starts like a train leaving the station. Not much distance is covered initially, but as the train gains momentum, the ride becomes smoother and more distance is covered per unit of time. At some point during its journey, the train switches to the track leading to its final destination. In this allegory, the track is symbolic of biennial planning, programming, and budgeting, the destination is two year budgeting, and the train is called budget reform. The train departs the station in 1970.

1970-73

Throughout the decade of the 1960s, PPB functioned as Mr. McNamara envisioned, mainly because he was the Secretary of Defense from 1961-1968. (32:4) However, as the decade came to a close, a change in the federal bureaucratic environment occurred. The Presidential election of 1968 brought

a Republican Administration to power. Richard Nixon, the newly elected President, and his Secretary of Defense, Melvin Laird, felt the Defense Department needed to be remodeled. These feelings were molded in part through communiques with long term defense employees. An excerpt from a memo written by a senior civilian Army official to President-elect Nixon illustrates the sentiment for change within DoD. In his memo, the Army official said,

When operations commenced under the new OSD program system in 1962, it was the general understanding that program decisions would be budget decisions. This euphoric supposition lasted only until the fall of the same year when it became apparent...that program decisions were not, literally, budget decisions. This situation has prevailed over the years...OSD approval of the FYDP...does not constitute a budgetary decision. (9:73)

Shortly after formally assuming his post as Secretary of Defense, Mr. Laird commissioned a blue ribbon panel of Defense experts to study the Department's methods of transacting business and, where indicated, recommend repairs. The panel, whose report was published 1 July 1970, found problems in the way the Defense Department allocated resources. (91:112) Specifically, deficiencies were present in all three major areas of PPD.

Planning's inability to articulate a coherent national military strategy within the framework of fiscal reality was the first major problem area. (91:113) The two products of the planning phase, the JLRSA and the JSPD, were not performing their intended functions. They failed to provide a realistic and relevant foundation for the construction of Defense programs. Admiral Elmo R. Zumwalt, USN (Ret.), made the following observation on the value of the JLRSA "I found this particular document to be almost as valueless to read as it was fatiguing to write." (25:334) The blue

ribbon panel agreed with the Admiral's assessment. The panel concluded the aggregate output of the JCS planning process did not provide the Defense Department with the requisite, fundamental, broad guidance for subsequent phases of PPBS. (91:112,113)

The panel named two causal factors for this appalling ambience: lack of strategic guidance and an absence of fiscal constraint. (91:113) The deprivation in strategic guidance caused a disconnect between JCS plans and national policy because JCS planners were denied a basic element of planning--the objective. Without documented national policy as a pole star, planners were forced to use a degraded mode to ascertain US objectives. In an effort to decipher national policy, JCS resorted to reviewing speeches, writings, and other forms of communication by the National Command Authority. This was an inadequate approach to an exceedingly momentous topic.

JCS also suffered from a scarcity of utilitarian monetary advice. (91:113) Fiscal direction keeps plans from acquiring an impractical bent. Fiscal boundaries contain the planning output within the fimbria of reality thereby ensuring the appositeness of the product. Again, DoD had no established procedure for providing meaningful, accurate budget figures to the JCS planners. As a result, the plans were considered useless.

The principle fault with the programming phase was the format of its product. (91:113) The arrangement of the prioritized list of DoD's military programs did not mesh with either the budget design used in PPB or the congressional scheme of program review. For example, an F-15 is a program. It is composed of many independent elements such as F-100 engines, APG63 radars, etc. In programming lexicon, the F-15 is a line item; a single program. In budgeting language it is not. The budget coalesces all

component parts of all programs into common categories, such as F-100 engines, APG radars, etc., so that there is not a distinction between those F-100 engines destined for new F-15s and F-100 engines for F-16s. This arrangement made it difficult to rapidly calculate the full impact of decisions made late in the PPB cycle. This difficulty also occurred when Congress began to mark up the budget proposals. DoD could not swiftly invoke its damage control network because it was not always sure to what extent its operations had been impaired.

The malady of the program phase also infected the budget phase. Decision making late in the budget process becomes shrouded in urgency precipitated by the time-critical nature of decisions at this stage. In these circumstances, decision makers require options accompanied by a list of associated risks. PPB was not able to expeditiously provide these items. Furthermore, consequences of Presidential fiscal decisions late in the budget cycle were also hard to figure. On occasion OSD action officers would be called on to completely reprogram funds because an in depth analysis of one executive pronouncement disclosed an entire program had been wiped out. Therefore, programming and budgeting were viewed as unresponsive and inflexible. (91:114)

To correct these shortcomings, Mr. Laird's blue ribbon panel proposed the following revisions to the PPB process:

- 1) The National Security Council (NSC) formally articulate national interests and objectives to the Secretary of Defense. The NSC should also inform the SecDef of changes to national interests and/or objectives as they occur.
- 2) The President in consultation with the Secretary of Defense should establish the Defense IOA for each year of the five year planning period.

DoD would then adhere to this fiscal blueprint in constructing plans and program proposals.

3) DoD would assume responsibility for transmitting the fiscal and strategic guidance to JCS. The panel proposed these directions be passed in the following manner. First, OSD would relay the strategic guidance to OJCS. The joint planners would develop a force structure capable of prosecuting the declared strategy. Second, after the initial JCS cut on force structure was complete, OSD would pass on the monetary limitations. JCS would then use the TUA to scale the size of the force structure. The panel felt this sequence would be cost effective in developing plausible military plans.

4) Unite the programming and budgeting phases. This action would eliminate redundant activities within the two phases as well as reconcile the format of the product. The panel advised DoD to work with Congress in developing the format. The panel thought it would be expedient if the new format were amenable to the Congress. (91:114-118)

The literature suggests these recommendations were incorporated into a revised PPB process approved and used by the Laird Defense Department. (64:66) Parenthetically, it is interesting, at this juncture, to note Mr. Laird's decision to modify versus discard PPB, institutionalized the process in the Defense Department. (64:66-67)

In 1973, Allen Schick, a Congressional Research Analyst, sounded the death knell for PPB in an article appropriately entitled "A Death in the Bureaucracy: The Demise of Federal PPB." (48:146) Mr. Schick issued this promulgation based on information contained in OMB circular A-11. The circular, which is used to apprise readers of changes to budgeting procedures,

had informed its subscribers defense agencies would no longer be required to forward multiyear programs and associated financial data with their budget estimates. In Mr. Schick's words "The memorandum depicted the termination of PPB..." (48:146) Actually, OMB had intended nothing of the kind. It was searching for ways to reduce paperwork and cut costs. OMB officials with this mindset saw PPB as overdue for budget surgery. An irony in this whole affair was the budget process should be the first patient to feel the blade of the cost-cutting scalpel. However, those who believed PPB would die on the operating table underestimated the resiliency of the process. Although PPB did not actually perish, Mr. Schick's pronouncement embolized the confusion and concern among those whose metier was budgeting in the early 1970s.

1974-76

Mr. Laird's study and revision of PPB may have been preventive or his actions may have simply been very effective. At any rate no one would feel the need for another study until 1977. Nevertheless, during the intervening period two significant events occur. The first is of note because it is the first recorded mention of biennial budgeting by a congressman in front of the Congress. Representative Richard Bolling (D-Mo.) is credited with originally suggesting DoD adopt a biennial budget. (47:9)

I am convinced that the most sensible - and in the long run, necessary - solution would be the enactment of authorizing legislation in the year before the appropriations are made. If this were done, Congress would be able to proceed to early consideration of appropriations bills and the dismal practice of continuing resolutions would be ended. The conference will move in the direction of advance authorizations by requiring the president to submit requests for new authorizations in the calendar year

prior to the one in which they are to take effect. The bill also calls for a study of the desirability and feasibility of advance appropriations. (44:9)

The second event is more corpulent. The 1974 Budget and Impoundment Control Act restructured the way the Congress reviews Presidential annual budget proposals. Whereas Representative Bolling's remark did not produce an abrupt, sequacious consequence, the 1974 Budget and Impoundment Control Act caused two precipitous changes in the budget procedures. First, the most manifest effect of the legislation was the postponement of the start of the fiscal year. The 1974 Budget Act delayed the start of the fiscal year from 1 July to 1 October. Table 1 illustrates the new congressional schedule. Allen Schick, Congressional Research Analyst, explained the motivation for changing the start of the fiscal year this way,

During the past decade, there has not been a single fiscal year for which all regular appropriations were enacted prior to July 1. During five of the years since 1965, Congress has failed to enact a single appropriation measure before the fiscal year began and in none of these years were more than two of the regular appropriations passed by July 1. (22:131)

Hence, Congress justified the three month extension of the budget review procedure on the grounds it was the best way to complete budget related legislative actions according to a prescribed timetable. (22:131) The justification for the new fiscal year start date is portentous because of its concordance with the rationale used to enlist support for biennial budgeting. Proponents of biennial budgeting have argued it will allow Congress time to complete its review of the budget proposal before the start of the next fiscal cycle. (20:78) (47:5) (110:2)

The second change in the budget procedure was not quite so vivid, yet its imprint is no less impressive. The 1974 Budget and Impoundment

Table 1

CONGRESSIONAL BUDGET TIMETABLE ESTABLISHED
BY THE 1974 ACT

By November 10	President submits current services budget
By 15 days after Congress convenes (in January)	President submits his budget for next fiscal year
By March 15	All standing committees submit views and recommendations to budget committees
By April 1	Congressional Budget Office submits report on overall economic and fiscal policy, alternative budget levels, and national budget priorities to budget committees
By April 15	Budget committees report first concurrent resolution on the budget to their Houses
By May 15	Committees report bills authorizing new budget authority to their Houses
By 7th day after Labor Day	Congress completes action on the first concurrent resolution Congress completes action on bills and resolutions providing new budget authority and new spending authority (appropriation and entitlement bills, respectively)
By September 15	Congress completes action on second concurrent resolution
By September 25	Congress completes action on reconciliation bill or resolution or both that implements second concurrent resolution
October 1	Fiscal year begins

Source: Committee on the Budget, House of Representatives, *The Congressional Budget Process: A General Explanation* (December 1982).

Source: Art, Robert F. "Congress and the Defense Budget." *Toward a More Effective Defense*. Cambridge, Mass.: Ballinger Publishing Co. 1985, pp. 131.

Control Act was responsible for the creation of two additional budget review committees--the Senate and House Budget Committees. (70:4,5) Congress thought the formation of a budget committee in each house with responsibility for setting overall spending and taxing limits would eliminate some of the confusion encompassing the current budget process. It was Congress' intent for the newly born budget committees to assume a macro viewing point of the budget reviewing process. (22:128) Until this time the Authorization and Appropriations Committees had been forced to reconcile their own opinions on projected revenues and total government outlays with their analysis of specific defense needs. (22:127-128) This had become a wearisome and gut wrenching process as each legislator sought to protect his particular piece of the defense pie. (20:9) Framers of the 1974 Budget Act believed incorporation of the budget committees would end this turmoil and thereby shorten the budget review procedure because they would not be involved in line item minnuace but would be a step back looking at the big picture. In the Center for Strategic and International Studies (CSIS) Report, one of the analysts explained the intent of the 1974 Budget Act this way, "Authorizing committees would no longer be permitted to subvert the appropriations process through "backdoor spending" stratagems." (22:127-128)

Formulation of the two budget committees and adjustment of the budget review timetable were the two most discernable features of the 1974 Budget and Impoundment Control Act. However, there is one additional noteworthy item associated with this Act. This item occurs in the Conference Report accompanying the legislation. In this report, the managers of the bill allude to the need for some type of multiyear budgeting.

The managers have given careful consideration to all of the elements in the budget calendar and particularly to the need for allowing adequate time for committee preparation and floor debate on each budget decision. The managers believe that in the future it will be necessary to authorize programs a year or more in advance of the period for which appropriations are to be made. When this is done, Congress will have adequate time for considering budget-related legislation within the timetable of the congressional budget process. (68:56)

As they inferred, multiyear budgeting was viewed as a way to reestablish the congressional review timetable. (68:56)

The 1974 Budget Act is pivotal in the evolution of biennial budgeting. Its centrality arises out of its use as a fulcrum for the budget reform lever to elevate biennial budgeting to the top of the list of budget reform options. The 1974 Budget Act acquires this distinction more because of its failures than its successes. Because the 1974 Budget and Impoundment Act is so pivotal in the development of the congressional budget review ritual, and because it affects the course of future budgetary action in the Congress, it is worthwhile to examine its performance now. First, was it able to extricate Congress from the budgetary imbroglio? One measure for evaluating this objective would be the number of line item alterations made to annual budget proposals after the law took effect. Line item budget alterations are a surrogate measure of time spent on micro defense issues. Time spent on line item budget alterations is time not spent on oversight, strategy or doctrinal discussion.

By 1976, the 1974 Budget Act was fully assimilated into the legislative process. Between 1976 and 1983 Congress made over 10,000 line item modifications to the eight budget proposals. (22:138) In 1984, the House Armed Services Committee (HASC) alone marked up 58% of the Defense Authorization request. At the same time, the Senate Armed Services Committee (SASC)

changed 450 of 731 line items. The FY1984 Defense Appropriations request contained 1,129 line items. It fared no better than the Authorization request. The House Appropriations Committee restyled 63% of the Defense request. The Senate Appropriations Committee likewise marked up 63% of the proposal. (See Table 2)

Another measure of the force of the 1974 Budget Act is the time witnesses spend testifying before budgetary committees and subcommittees. Variation in the hours of testimony connotes the changing level of congressional interest in a particular subject. Since congressmen have only a fixed amount of time to allocate among their various concerns, a rise in one area would either insinuate another area suffered a corresponding drop in attendance, or suggest Congress was about to void another deadline. Table 3 portrays the hours of testimony of principle witnesses from 1978-1982. From 1978 to 1980 there is a slight decline in the average hours of testimony (11%). From 1980 to 1982 there is a slight increase in the average hours of testimony. The number of witnesses declines across the span of the survey. Total hours of testimony follows the same trend as average hours. The conclusion from this review is rather obvious--fewer witnesses are testifying for more hours. Who are these witnesses? They are the upper echelon of OSD: the leadership. They are Secretary Weinberger, Dr. Richard D. Belauer and JCS personnel among others. (39:24) (86:438,439) When this information is combined with the list of committees these officials testified before, it suggests more committees expanded their interpretation of their charter to include a review of at least a portion of DoD funding requests. The upshot of this analysis is Congress will continue to fall in its efforts to meet its self-imposed deadline because of the proliferation

Table 2

CONGRESS MICROMANAGES DoD's FY84 BUDGET REQUESTS

	Authorization		Appropriations
Number of Line Items in DoD's Request*	731	1,129	
House Adjustments	424	768	
Senate Adjustments	450	710	

* These requests are for all of the Services as well as Defense agencies.
Source: Department of Defense final line item summary on Congressional action on the FY84 Authorization Request and the FY84 Appropriations Request.

Source: Kyle, Deborah M., "Congress 'Meddled' With Over Half of DoD's FY84 Budget Line Items," Armed Forces Journal International, February 1984, p. 26.

Table 3

PROFILE OF DoD CONGRESSIONAL TESTIMONY
(1978 THROUGH 1982)

Average Number of Hours Witnesses Testified	1.8	1.7	1.7	2.2	2.7
	1978	1979	1980	1981	1982
Number of Principal Witnesses	854	841	758	622	633
Total Number of Hours in Testimony	1,602	1,469	1,296	1,378	1,463

Source: Calculations Computed by DoD's Office of Legislative Liaison

Source: Kyle, Deborah M., "Congress Micromanaging More Than Before?" Armed Forces Journal International, February 1984, p. 24.

of committees interested in reviewing the Defense budget and the level of detail these reviews take on. (45:9)

One yardstick of the validity of this hypothesis is the number of times Congress uses Continuing Resolutions Authority (CRA) as a temporary funding measure. CRAs are a method employed by Congress to provide minimum funding for the orderly continuation of existing programs. They are meant to cover governmental financial commitments in the absence of a regular appropriation bill. (47:7) Hence, they are only used when Congress, for whatever reason, is unable to discharge its fiscal duties in the allotted time. For this reason, the number of times Congress employs a CRA can be used for evaluating the effectiveness of the Budget Act from the aspect of its success or failure to place Congress within the boundaries of a valid timetable. Table 4 is an illustration of the times Congress used CRAs between 1972 and 1982. There were 34 times in the 10 year period of this study that Congress needed to enact a CRA or risk federal default.

Beyond their value as a barometer of congressional nonfeasance, CRAs have very little net worth for DoD. They are the bane of DoD financial managers. Financial managers, operating in a CRA environment, are entrapped from performing their mission. A financial manager's goal is to obtain the most value from each dollar spent. Long term contracts are one tool in the financial manager's bag of tactics he can employ to obtain this objective. Legislation and regulations prevent financial managers from entering into long term contractual agreements during the CRA period. This has two adverse effects. First, many vendors will refuse to provide their services in the face of such uncertainty. Second, those vendors who offer the service charge an inflated price to offset the uneconomical nature of short term contracts. (47:7) (45:9) (110:1) (83:9) Secretary Weinberger

Table 4

CONTINUING RESOLUTIONS ENACTED FOR FISCAL YEARS 1972-1982

Fiscal Year	Congress	House Joint resolution number	Public Law number	Date approved ¹
1971	92nd	742	92-38	07-01-71
1972	92nd	829	92-71	08-09-71
1972	92nd	918	92-139	10-15-71
1972	92nd	946	92-102	11-20-71
1972	92nd	1005	92-201	12-18-71
1973	92nd	1234	92-334	07-01-72
1973	92nd	1278	92-390	08-18-72
1973	92nd	1306	92-446	09-29-72
1973	92nd	1331	92-571	10-28-72
1973	93rd	345	93-9	03-08-73
1974	93rd	636	93-52	07-01-73
1974	93rd	727	93-124	10-16-73
1975	93rd	1062	93-324	06-30-74
1975	93rd	1167	93-448	10-17-74
1975	93rd	1170	93-570	12-31-74
1975	94th	219	94-7	03-11-75
1976	94th	499	94-41	08-27-75
1976	94th	733	94-159	12-20-75
1976	94th	857	94-254	03-31-76
1977	94th	1105	94-473	10-11-76
1977	95th	351	95-16	04-01-77
1978	95th	640	95-130	10-13-77
1978	95th	643	95-165	11-09-77
1978	95th	662	95-205	12-09-77
1979	95th	1139	95-482	10-18-78
1980	96th	412	95-86	10-12-79
1980	96th	440	95-123	11-20-79
1981	96th	610	96-369	10-01-80
1981	96th	644	96-536	12-16-80
1981	97th	HR3512 ²	97-12	08-05-81
1982	97th	325	97-51	10-01-81
1982	97th	368	97-85	11-23-81
1982	97th	370	97-92	12-15-81
1982	97th	409	97-161	03-31-82

¹Section 101 of the Congressional Budget and Impoundment Control Act of 1974 (Public Law 93-344) eliminated the start of the fiscal year from July 1 to October 1, effective beginning with the fiscal year 1977.

²A supplemental appropriation that provided for the continuing appropriations for specified agencies.

Source: Congressional Budget Office, Washington, D.C.

Source: Quayle, Dan. "The Federal Budget Cycle Should Be Replaced By A Two-Year Budget Process," Armed Forces Comptroller, Summer 1982, p. 8.

shares the financial manager's lack of enthusiasm for CRAs. He said "Nothing is more disruptive to sound management than to attempt to operate under those uncertainties." (83:8) Some congressmen were equally displeased with CRAs. Representative Leon E. Pancha (D, Ca.) says "There is no question in my mind that this is a lousy way to do business." (31:2059) Representative William E. Dannemeyer (D, Ca.) said of the CRAs "This continuing resolution...illustrates the maxim that runs through all of them (CRAs): namely, I do not think there is a big enough crough in Christendom to accomodate the snouts that seek to feed at the public's expense." (31:2061) Finally, Representative Edward Porter (R, Ill.) calls CRAs "...budget enemy no. 1." (31:2061)

CRAs measured the ability of Congress to adhere to its new schedule. But what of the proliferation of committees? Between 1976 and 1983, the number of committees and subcommittees reviewing the defense budget request grew to 96. In 1983 alone, 1306 DoD witnesses testified for 2160 hours in 100 appearances before these organizations. (45:9) The purpose of these statistics is to show the scope of some of the problems with the congressional budget review process that grew out of the 1974 Budget Act. Many of these problems stem from Congress' propensity to engage in line item budget review rather than consideration of the strategy and doctrine underlying the budgeting line items. In 1966 Kolodziej had prophetically tried to warn Congress of the hazards associated with line item budgeting:

Once embarked on such a course, it would be quickly ensnared in an intricate web of minute facts. Its energies would be quickly sapped, and its attention deflected from the policy considerations presumably underlying administrative action. As fact upon fact would be compiled, a grave risk would be run that congressional understanding of the varying importance of different

military policy proposals would be obscured. Quite possibly lost in the sea of budgetary numbers and administrative minutiae would be the objectives to be served by the defense establishment and the political costs and benefits which might result from using different kinds and combinations of physical force as a response to foreign political and military challenges. Congress would have traded the substance of governmental power for the trappings of it. It would have relinquished its ability to keep pace with the rapid movement of international events and to influence the direction of national policy in light of these changes. (11:440)

Kolodziej further elaborated on the problem of congressional control of the military through the use of the purse string.

Congress cannot oversee in detail the immense and sprawling military establishment which presently directs the energies of almost four million civilian and military personnel and exercises varying controls over an additional five million non-governmental personnel engaged in defense contract work. Congress' appropriations power, in particular, is not put to its most effective use if it is solely directed toward specific control and management of Defense Department administration. These burdensome tasks are too heavy for any legislator, committee, or even the entire Congress to carry. (11:439,440)

To summarize the contributions of the 1974 Budget Act to the composite budget process, this paper turns to the thoughts of five pundits in the budgetary process. First, Robert F. Art, CSIS analyst. Mr. Art says "... the consequences of the new budgetary procedure have been negative and contributory, not positive and primary." (22:132) Second, Louis Fisher, a prominent budget critic, evaluates the 1974 Budget Act's effectiveness this way, "Rarely has a statute missed goals by such wide margins without being repealed or drastically altered." (17:5)

Mr. Art and Mr. Fisher have expressed keen and incontrovertible opinions as to the efficacy of the 1974 Budget Act. In contrast, the last three experts take a more balanced approach in their assessment. Howard Shuman

believes the 1974 Budget Act has strengths as well as weaknesses. He sees the 1974 Budget Act as being a success in the areas of Impoundment Control, development of budget reconciliation methods, and "... overcoming the powers of the committee and subcommittee fiefdoms to allow Congress as a whole to vote on some otherwise sacred cow provisions of spending." (19:305)

Mr. Shuman thinks the 1974 Budget Act fails in its attempt to restore control over the budget to the legislative branch. He goes on to say, "By no standard can it be said the act imposed any reasonable budget discipline on either the president or Congress." (19:305) Senator William Roth, chairman of the Government Operations committee hammered home this last point when he said,

I can argue that it is a failure, a failure because Congress had consistently failed to meet most of the deadlines, a failure because I think Congress has become mesmerized with the budget process to the detriment of other responsibilities and considerations. It spends so much time on budget matters that we really fail to adequately provide the kind of oversight that I think is necessary. We have failed to have the kind of debates that are essential on national issues such as foreign policy and defense. (22:138,139)

Finally, Allen Schick contends the budget review process formed from the 1974 Budget Act is better than the pre-1974 Budget Act process and therefore cannot be rated as a failure. (17:5-8) Analysis of the 1974 Budget and Impoundment Act is clearly contentious as the breadth of these opinions illustrate.

In 1975 another major event in the evolution of biennial budgeting occurs: the Department of Defense is granted authority to request two year budget authorizations. Indeed, every year since 1975, DoD has exercised this authority by asking Congress to authorize two years worth of budget requests. However, the Defense Department's use of this authority has been

more ceremonial than substantive. DoD has never provided the requisite level of detailed information to support the second year of the request. Therefore, Congress has steadfastly adhered to annual defense authorizations. (96:--)

The period, 1974-1976, is significant more from the standpoint of setting the stage for future moves toward multiyear budgeting than it is from the standpoint of containing principle biennial legislation.

1977-1979

The period, 1977-1979, is characterized by a swing in the pendulum of the history of biennial budgeting back to the Pentagon. Throughout this biennium the spotlight of budget procedural reform is on the Office of the Secretary of Defense (OSD). It begins in 1977 when then Secretary of Defense Harold Brown asks Richard Steadman to review the National Military Command Structure. Mr. Steadman's report was highly critical of the PPB process. It was his contention the managers of PPB had lost sight of the objective of the process. They were not developing a force structure capable of achieving a specific national aim. Mr. Steadman posited this situation arose because National Command Authorities were not communicating clear and definitive guidance to military leaders. (65:42) According to Mr. Steadman, military leaders needed a lucid picture of national objectives along with executive monetary instructions before they could turn out a useful product. Furthermore, Mr. Steadman bemoaned the dearth of joint input into the POM building process. He argued failure to account for the needs of Joint Commands would lead to construction of an ineffective fighting force. (65:36)

In the author's opinion, Mr. Steadman had hit upon the same problem General David C. Jones had identified during his tenure as chairman, JCS.

There is not enough emphasis in the government on the "output" side of Defense program (e.g., readiness). In particular, there is too little emphasis on Joint activities, which are primarily output-oriented. The Department of Defense traditionally organizes around inputs, not outputs; its priorities are driven by such issues as procurement decisions, manpower levels and policies, budget deadlines, Congressional hearings, and other program-oriented activities. Thus, the DoD has tended not to deal effectively with "output" issues such as readiness, integrated force capabilities, and crisis management preparations. The latter are all primary JCS issues - difficult under the best circumstances, and certainly not resolved effectively when not given equal time in the defense management process. (72:503)

The Steadman report caused Secretary Brown some concern. Yet, because of its broad scope, the Secretary was not willing to make substantial changes in the PPB system without some confirmation of the occurrence of its findings. Secretary Brown therefore appointed Donald B. Rice to thoroughly examine the Defense Department's method of resource allocation. Mr. Rice's report, published in 1979, underscored the problems highlighted by the earlier work of Richard Steadman. The preeminent problem, according to Mr. Rice, was an inversion of the entire PPB process. National objectives were juxtaposed with budget constraints making programming and budgeting the dominant phases of the budget preparation cycle. (64:1-23) Strategy, instead of driving PPB, was being developed from it. The root of the difficulty began in the planning phase.

Mr. Rice characterized the planning "P" in PPB as silent. (64:6) It was silent in that it failed to provide any meaningful or useful output. Planning did not, as it was supposed to, bring strategy into harmony with the current national environment, nor did it update defense policy by aligning it

with national goals. The lacuna in JCS planning was a bona fide monetary bench mark. The FY79 budget proposal is an example of this problem. The approved Defense budget appropriation was \$10 billion less than the TOA in the Defense Guidance (DG). When the fiscal gap is this large, and is not realized until this late in the process, the Defense Department must make some hard and consequential decisions on the entire proposed program structure very quickly. Essentially this amounts to negating the purpose of the entire PPB cycle. (64:7)

Secondly, Mr. Rice found decisions made in the programming phase were revisited in the budget phase. Programming decisions tend to be made on the basis of the synergistic contribution of the individual program to the overall force structure. On the other hand, budgeting decisions were made on the basis of anticipated appropriations. Friction developed as the two processes became more divergent in philosophy and purpose. The friction was counterproductive and athwart the premise of PPB.

A third deficiency in PPB was its failure to provide feedback on the progress of programs already approved. DoD did not have an explicit system in being to measure actual performance improvements generated by the addition of equipment to the defense arsenal. Hence, OSD did not actively pursue ways to hone decision making skills or increase military effectiveness through better program execution.

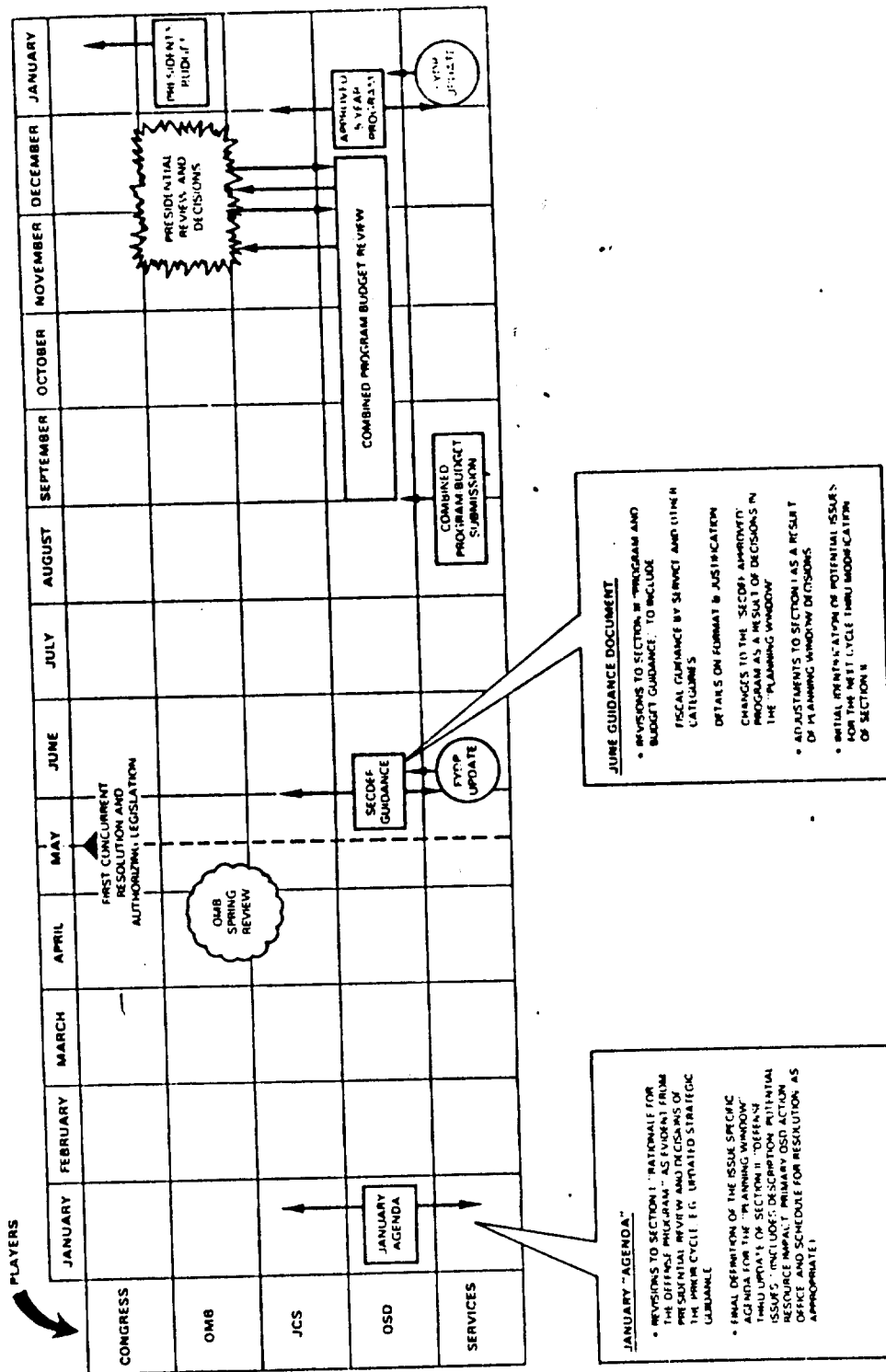
Two additional problems prevalent in PPB were the lack of a realistic role for JCS and the unified and specified commanders, and the infelicitous attention paid support requirements. (64:7) The former problem causes an incongruity in force structure planning while the latter unbalances force structure capability.

To correct all these problems, Mr. Rice proposed three groups of solutions: process changes, organizational and role changes, and new capabilities. Under process changes, Mr. Rice advocated a planning window extending from January to May followed by a combined program/budget review phase. The program/budget review was to be scheduled from August to December. (See Figure 4) The well defined window along with a combined program/budget review offered several advantages.

- *A greater opportunity for planning activities (made possible by reduced work intensity through the elimination of separate program and budget phase reviews).
- *More advantageous use of information available from Presidential and Congressional budget processes.
- *The stronger likelihood of retaining program integrity, visibility, and balance throughout the process.
- *Consistent conceptual approaches through elimination of separate program and budget phase instructions.
- *Simplification of separate and growing paper-work demands and reduction in wasted staff effort.
- *Explicit recognition that programming and budgeting are continuously incremental processes that incorporate selected fundamental reviews.
- *Enhanced opportunity to focus attention on major resource allocation questions that can be authentically zero-based. (64:14)

Note the last bullet features an issue not previously addressed -- the issue of zero-based budgeting (ZBB). In his analysis of ZBB, Mr. Rice never directly mentions a problem with integrating ZBB into PPBS; yet, a problem apparently existed. Mr. Puritano, Executive Assistant to Deputy Secretary of Defense Carlucci in 1981, cites ZBB as the primary source of the excess paperwork that permeated the PPB cycle. (44:13) This paperwork encumbered the process because it duplicated other PPB documents, it was not based on an accurate or detailed analysis of existing data, and it did not provide

Figure 4
DRMS - PROPOSED PPBS



Source: Rice, Donald B. Defense Resource Management Study, Washington D.C.: U.S. Government Printing Office, February 1979. p.15

useful or usable information to decision makers. ZBB never did mesh with PPB, it was simply overlayed on it. Like oil on top of water, it remained a separate entity, almost smothering the operation of PPB.

ZBB did more harm to the budget process than it did good. ZBB was antithetical to PPB in its approach to program annual review and multiyear planning. The attempted combination of these antagonistic processes caused confusion, chaos, and upheaval. (85:389) OSD line and staff functions were muddled, staff officers were overburdened with paperwork and the Secretary was swamped with an avalanche of raw data. (85:394) This latter detail severely impaired the SecDef's ability to effectively manage his department. (85:389)

Also in 1979, the Heritage Foundation undertook a study of the congressional budget process. As a result of the study, the Foundation recommended Congress adopt the techniques of advance budgeting. (13:36) Advance budgeting is a euphemism for multiyear budgeting, a concept Congress had heretofore rejected. In the opinion of the Heritage Foundation, advance budgeting offered the Congress the advantage of a longer-term perspective for their decision making. This longer vista would "...force Congress to examine the budgetary consequences beyond the initial fiscal year and discourage the casualness with which Congress binds its future budget." (13:36)

By the close of 1979, it was apparent tremendous strides toward multi-year budgeting and an improved PPB process had occurred. Although not evident at the time, history shows all the props were in place on the national stage for a major budget reform production. Curtain time was still a few years off but rehearsals were about to begin in earnest. All that remained was to await the arrival of the actors.

1980-1981

In the author's opinion, the 1980-81 period is the point in history that marks the beginning of serious consideration of biennial budgeting as a probable answer to all the federal government's budget related problems. In this period both the legislative and executive branches begin to search for reforms aimed at solving what they jointly perceive as the nascent decay of effectual government budgeting. Effectual budgeting is defined as a consistency between stated national policy and the development of a military force structure to support it. In 1980, the administration discerned this consistency did not exist. (46:24)

Moving quickly to delineate the extent of the budgeting decay within OSD, Deputy Secretary of Defense Frank Carlucci, on 13 February 1981 (three weeks after being ensconced in this position), ordered Vince Puritano to investigate PPBS. (46:22) A summary of Mr. Puritano's assessment follows:

SYMPTOMS

Planning and Policy

1. Planning doesn't influence system, is irrelevant.
 2. Lack of policy context, no bridge from DPG to resource programming.
 3. Not enough dialogue.
 4. Gap between capabilities and policy.
 5. Inadequate current assessment and CINC input.
- Underlying problem: Planning has not been a priority concern of SecDef.

Programming and Budgeting

6. Too much program guidance.
7. Inadequate participatory management.
8. Focus on first year of FYDP, little in last four years.
9. Conflict of program guidance vs fiscal guidance.
10. Inadequate risk assessment.
11. Program instability.
12. Too many issues.
13. Too much paper.
14. Tail-end perturbations.
15. "Gold watch" behavior: gaming.

16. Duplication of content: unique formats.
Underlying problems: Confusion of line/staff relationship USD versus services...ZBB failure. Focus on "margin." Paperwork not in proportion to value, decisionmakers more creative than system allows.

System-wide

17. Revisitation of decisions.
18. Neglect of Execution.
19. PPBS--Acquisition DSARC [Defense Systems Acquisition Review Council] conflict.
20. DRB role and membership issue.
21. DoD-OMB joint review issue.

Underlying problems: No overall management of total PPBS process below SecDef level...No Uniform communication device throughout the total PPBS process...Too many Data bases and categories due to competing confusing demands and needs from OMB, Congress, OSD offices and services. (85:393,394)

Following a review of these findings, Secretary Weinberger announced several changes to the PPB procedure. They were:

- *Modifying the existing PPBS to reflect a shift to greater emphasis on long-range strategic planning;
- *Greater decentralization of authority to the services;
- *Closer attention to cost savings and efficiencies;
- *Elimination of most of the paperwork required by the Zero Based Budget (ZBB) system;
- *A restructuring of DoD's top management board, the Defense Resources Board (DRB);
- *An increase in the responsibilities and roles of the Service Secretaries;
- *A change of roles and relationships between the various OSD staff agencies and the services;
- *A new process for management review by the Secretary of progress toward objectives in major programs;
- *A general streamlining of the entire PPBS. (46:21)

On 27 March 1981, these changes were formally incorporated into OSD modus operandi by a memorandum from the Deputy Secretary to all agencies in the Department. (72:494)

Later that same year the Secretary and Deputy Secretary took actions to improve the method of weapons acquisition. First they emphasized long range planning. This gave contractors as well as Congress an appreciation of the scope of proposed acquisition programs. Second, they stressed

multiyear procurement. This was a way to realize savings through more efficient use of production resources. (44:14) Both these initiatives foretold the administration's interest in achieving cost savings through improved management techniques.

Finally, the Secretary reorganized the DRB and expanded its role. As part of the reorganization, the Deputy Secretary was named chairman of the DRB, and the services secretaries were added to the list of members. The board also acquired broader responsibilities. The two biggest responsibilities added to the DRB's register were management of the PPBS and supervision of the performance review process. (32:5)

In his first year as SecDef, the Honorable Caspar Weinberger has taken dramatic and dynamic steps to increase the efficiency of PPBS and implement cost savings measures. Congress, in the meantime, was also busy with budget reform. Senator Dan Quayle (R-Ind.) introduced the first biennial budget bill (S.2008) on the Hill. (47:5) The bill was entitled the Budget Reform and Oversight Act of 1981. Ultimately S.2008 failed to acquire the necessary support for passage. However, it served a useful purpose. It raised the level of congressional consciousness regarding the intractable nature of the current budget dilemma.

Senator Quayle blamed the 1974 Budget and Impoundment Control Act for current conundrum.

In overall terms, passage of the Budget Act has not resulted in a more rational and efficient Congressional process for making decisions on appropriations. The haphazard system of review and the reliance on continuing appropriations today makes long-range planning impossible for federal agencies as well as for state and local agencies dependent on federal funds. (47:7)

Not only had it failed to alleviate the CRA problem but it also failed to reestablish congressional dominion over the budget. Congress had not created a budget of its own since the enactment of the 1974 Budget Act. (13:33) Senator Quayle's biennial budget bill was an effort to correct these short comings.

First, to overcome the CRA problem, Senator Quayle proposed a new two year timetable for budget review and enactment. (Table 5) S.2008 proposed using the full two years to complete legislative action. In the odd numbered years, under S.2008, the President would submit his proposal and the Congress would perform authorization activities. The even numbered years would be reserved for congressional action on appropriation legislation. (47:10) Through use of this scheme, Senator Quayle thought Congress could avert the need for CRAs. (47:10)

Underlying the problem of congressional unpunctuality, was the commanding position the budget review procedure was assuming in the congressional existence. It was displacing all other activities. Senator Quayle considered the budget review so preeminent an activity it consumed all the energy of the legislative body. No time remained to scrutinize entitlements, now over half of the federal budget. (47:7) Senator Sam Nunn (D-Ga.), chairman of the Senate Armed Services Committee (SASC), shared his colleague's concern. He characterized the cycle this way "The budget cycle drives the Congress, and the Congress drives the executive branch to such an obsession that we don't have time to think strategy. We never had a strategy hearing since I've been in the Senate." (33:614) Representative Trent Lott (R-Miss.) seemed to speak for congressional leaders on this issue when he said "The budget process is a sacred cow, wandering through the backyards of powerful

Table 5

**CONGRESSIONAL BUDGET TIMETABLE UNDER S.2008,
THE BUDGET AND OVERSIGHT REFORM ACT OF 1981**

FIRST SESSION

On or before:	Action to be completed:
November 10 (of the preceding year)	President submits current services budget for the biennial fiscal period beginning in the biennial fiscal period beginning in the succeeding even-numbered year.
January 15	President submits his budget for the biennial fiscal period.
January 15	All committees begin oversight hearings with respect to major Federal programs.
March 1	Comptroller General of the United States reports evaluations of major Federal programs to the standing committees.
April	Committees complete oversight hearings and report to the Budget Committees of both Houses with respect to the biennial fiscal period.
April 30	Congressional Budget Office submits report to the Budget Committees with respect to the biennial fiscal period.
June 30	Budget Committees report first concurrent resolution on the budget for the biennial fiscal period to their Houses.
July 31	Congress completes action on first concurrent resolution on the budget for the biennial fiscal period.
September 15	Committees report allocations of first concurrent resolution on the budget among programs within their respective jurisdictions.
December 15	Congress completes action on bills and resolutions authorizing new budget authority for the biennial fiscal period."

SECOND SESSION

On or before:	Action to be completed:
January 15	President submits revised budget for the biennial fiscal period.
March 15	Congressional Budget Office submits report to the Budget Committees on the President's revised budget.
April 15	House Appropriations Committee reports bills for the biennial fiscal period.
May 1	Senate Appropriations Committee reports bills for the biennial fiscal period.
July 1	Congress completes action, except enrollment, on bills and resolutions providing new spending authority for the biennial fiscal period.
August 15	Budget Committees report second concurrent resolution on the budget for the biennial fiscal period to their Houses.
September 15	Congress completes action on second concurrent resolution on the budget for the biennial fiscal period.
October 1	Congress completes action on reconciliation bill or resolution to implement second concurrent resolution on the budget for the biennial fiscal period.
October 1	Biennial fiscal period begins."

Source: Quayle, Dan. "The Federal Budget Cycle Should Be Replaced By A Two-Year Budget Process." Armed Forces Comptroller, Summer 1982, p. 11.

people and destroying their lawns and munching their gardens. They don't like it at all." (53:1697) In essence, Congress was becoming fed up with the way budget review was being conducted.

As 1981 closes, the Congress and the President are of one accord regarding the need for budget reform. Nonetheless, disagreement exists on the type, timing and lineaments of this reform.

1982-1983

At the outset of this period, the Congress and the executive branch were certain a change to the budget process was necessary. However, neither felt comfortable with any of the previously proposed suggestions. Therefore, in 1982 the General Accounting Office (GAO) was asked to review and report on the feasibility of using biennial budgeting at the federal level. The study director sought the best surrogate available for his research. Recognizing biennial budgeting had not been employed at a level of complexity directly comparable with the US government, he decided to study state governments that used a two year budgeting procedure. He justified his selection of state governments on the basis of parallel political and economic foundations. Certain state governments and the federal government had similar legislative and budget processes. The basic premise underlying the GAO study was the supposition there were elements within a state's biennial budgetary procedure which could be adopted at the federal level. Furthermore, the problems plaguing states with annual budgets were similar to federal budget problems. However, states using biennial budgeting were no longer suffering from the same budget problems as those using annual budgeting. The GAO reasoned if biennial budgeting ameliorated state budget

problems, it would likewise alleviate federal budget problems. These are two important assumptions. Enough variables surround the public sector political and economic processes to make it impossible to account for all of them.

In addition to these two premises, consider the orientation of the study. The GAO study focused on budgeting methods and procedures, not on techniques for successful implementation. The goal of the study was to identify how biennial budgeting could support efficient government, not to find the best way to introduce it.

Of the 50 states making up the union, 20 use some form of two year budgeting. Furthermore, all 20 have a bicameral legislature. (21:84) (See Tables 6 and 7) From this group of 20 states the GAO selected three for more intense review. They were Ohio, Florida, and Wisconsin. All three had used biennial budgeting for some time. Therefore, the system was mature and stable in these states. Additionally, the governor in each state submits a two year budget proposal in the form of two one year requests. Here the similarity ends. The Ohio legislature, at one end of the spectrum, enacts both one year bills in the first year. Wisconsin, in the middle of the continuum enacts both budget bills the first year, but demands the Governor return at the start of the second annum to recertify the second year's estimates. Finally, Florida occupies the other bound of the spectrum. Although the Governor of Florida sends the legislature the two obligatory one year budget requests, the state congressmen enact them one year at a time. (60:7-8)

Of the three states the GAO studied, not all waxed enthusiastic over the two year budget idea. For a variety of political, social, and economic reasons, Ohio was the biggest proponent, followed by Wisconsin and Florida. (60:9)

Table 6
STATE BUDGETARY PRACTICES

<i>State or other jurisdiction</i>	<i>Budget-making authority</i>	<i>Date estimates must be submitted by dept. or agencies</i>	<i>Power of legislature to change budget(s)</i>	<i>Fiscal year begins</i>	<i>Frequency of budget</i>
Alabama	Governor	Oct. 15 for Jan. session; Nov. 15 for Feb. session	Unlimited	Oct. 1	Annual
Alaska	Governor	Oct. 1	Unlimited	July 1	Annual
Arizona	Governor	Sept. 1 each year	Unlimited	July 1	Annual
Arkansas	Governor	Sept. 1 in even years	Unlimited	July 1	Biennial, odd yr. (b)
California	Governor	Specific date for each agency set by Dept. of Finance	Unlimited	July 1	Annual
Colorado	Governor	Aug. 1-15	Unlimited	July 1	Annual
Connecticut	Governor	Sept. 1	Unlimited	July 1	Annual
Delaware	Governor	Sept. 15; schools, Oct. 15	Unlimited	July 1	Annual
Florida	Governor	Nov. 1 each year	Unlimited	July 1	Biennial
Georgia	Governor	Sept. 1	Unlimited	July 1	Annual
Hawaii	Governor (c)	Aug. 31	Unlimited	July 1	Biennial, odd yr. (b, d)
Idaho	Governor	Sept. 1 before Jan. session	Unlimited	July 1	Annual
Illinois	Governor	Specific date for each agency set by Bureau of the Budget	Unlimited	July 1	Annual
Indiana	Governor	Sept. 1 in even years, flexible policy	Unlimited	July 1	Biennial, odd yr. (b)
Iowa	Governor	Sept. 1	Unlimited	July 1	Biennial, odd yr. (b)
Kansas	Governor	Not later than Oct. 1	Unlimited	July 1	Annual
Kentucky	Governor	Specific date set by administrative action but may not be later than Nov. 15 of each odd year	Unlimited	July 1	Biennial, even yr. (b)
Louisiana	Governor	Dec. 15	Unlimited	July 1	Annual
Maine	Governor	Sept. 1 in even years	Unlimited	July 1	Biennial, odd yr. (b)
Maryland	Governor	Sept. 1	Limited: legislature may decrease but not increase, except appropriations for legislature and judiciary	July 1	Annual
Massachusetts	Governor	Set by administrative action	Unlimited	July 1	Annual
Michigan	Governor	Set by administrative action	Unlimited	Oct. 1	Annual
Minnesota	Governor	Oct. 1 preceding convening of legislature	Unlimited	July 1	Biennial, odd yr. (b)
Mississippi	Commission of Budget & Accounting (e)	Aug. 1 preceding convening of legislature	Unlimited	July 1	Annual
Missouri	Governor	Oct. 1	Unlimited	July 1	Annual
Montana	Governor	Sept. 1 of year before each session	Unlimited	July 1	Biennial, odd yr.
Nebraska	Governor	Not later than Sept. 15	Limited: 3/5 vote required to increase governor's recommendations; majority vote required to reject or decrease such items	July 1	Annual
Nevada	Governor	Sept. 1	Unlimited	July 1	Biennial, odd yr. (b)
New Hampshire	Governor	Oct. 1 in even years	Unlimited	July 1	Biennial, odd yr. (b)
New Jersey	Governor	Oct. 1	Unlimited	July 1	Annual
New Mexico	Governor	Sept. 1	Unlimited	July 1	Annual
New York	Governor	Early in Sept	Limited: may strike out items, reduce items, or add separate items of expenditure	April 1	Annual

Table 6 (cont.)

State or other jurisdiction	Budget making authority	Date estimates must be submitted by dept. or agencies	Power of legislature to change budget(a)	Fiscal year begins	Frequency of budget
North Carolina	Governor	Sept. 1 preceding session	Unlimited	July 1	Biennial, odd yr. (b)
North Dakota	Governor	July 15 in even years; may extend 45 days	Unlimited	July 1	Biennial, odd yr.
Ohio	Governor	Nov. 1; Dec. 1 when new governor is elected	Unlimited	July 1	Biennial, odd yr. (b)
Oklahoma	Governor	Sept. 1	Unlimited	July 1	Annual
Oregon	Governor	Sept. 1 in even year preceding legislative year	Unlimited	July 1	Biennial, odd yr.
Pennsylvania	Governor	Nov. 1 each year	Unlimited	July 1	Annual
Rhode Island	Governor	Oct. 1	Unlimited	July 1	Annual
South Carolina	State Budget & Control Board(f)	Sept. 15 or discretion of board	Unlimited	July 1	Annual
South Dakota	Governor	Sept. 1	Unlimited	July 1	Annual
Tennessee	Governor	Oct. 1	Unlimited	July 1	Annual
Texas	Governor, Legislative Budget Board	Date set by budget director and Legislative Budget Board	Unlimited	Sept. 1	Biennial, odd yr. (b)
Utah	Governor	Sept. 1-30(g)	Unlimited	July 1	Annual
Vermont	Governor	Sept. 1	Unlimited	July 1	(h)
Virginia	Governor	Feb.-Sept. in odd years	Unlimited	July 1	Biennial, even yr. (b)
Washington	Governor	Date set by governor	Unlimited	July 1	Biennial, odd yr. (b)
West Virginia	Governor	Aug. 15	Limited: may not increase items of budget bill except appropriations for legislature and judiciary	July 1	Annual
Wisconsin	Governor	Dates are set by secretary, Department of Administration	Unlimited	July 1	Biennial, odd yr. (b)
Wyoming	Governor	Sept. 15 preceding session in Feb.	Unlimited	July 1	Biennial, even yr. (b)
Guam	Governor	Date set by director, Bureau of Budget & Management Resource	Unlimited	Oct. 1	Annual
Puerto Rico	Governor	Oct. 15	Unlimited	July 1	Annual
Virgin Islands	Governor	Dec. 30	Unlimited	Oct. 1	Annual

Note: For further information on the budget processes in the states, see the following tables—Budget: Officials or Agencies Responsible for Preparation, Review and Control; Legislative Appropriations Process; Budget Documents and Bills; and Enacting Legislation: Veto, Veto Override and Effective Date.

(a) Limitations listed in this column relate to legislative power to increase or decrease budget items generally. Specific limitations, such as constitutionally earmarked funds or requirement to enact revenue measures to cover new expenditure items, are not included.

(b) Budget is adopted biennially, but appropriations are made for each year of the biennium separately. Maine—budget is reviewed annually. Minnesota and Wisconsin—a few appropriations are made for the biennium. Virginia—amendments to current budget can be made in any year, but there is no formal provision for annual review of the entire biennial appropriation. North Carolina, Washington and Wyoming—biennial appropriations with annual review. Wisconsin—statutes authorize an annual budget review, and the governor may in even years recommend changes.

(c) Governor has budget-making authority for executive branch only. Judiciary and legislative branch budgets are the responsibility of the respective branches, and the governor may only veto the budget bills as a whole, not by item.

(d) Increases or decreases may be made in even-year sessions.

(e) Composition of commission: governor (ex-officio chairman), lieutenant governor, president pro tempore of Senate, chairman of Senate Finance Committee, chairman of Senate Appropriations Committee, one senator appointed by lieutenant governor, speaker of the House, chairman of House Ways and Means Committee, chairman of House Appropriations Committee and two representatives appointed by speaker.

(f) Composition of board: governor (chairman), treasurer, comptroller general, chairman Senate Finance Committee, chairman House Ways and Means Committee.

(g) Thirty days prior to each department or agency hearing before the governor.

(h) 1981 legislature authorized annual or biennial budget at governor's discretion. Submission of annual budget began with fiscal 1982.

Source: The Book of The States 1984-1985, Volume 25, Lexington, Ky.: The Council of State Governments, 1984, p. 245.

Table 7

NAMES OF STATE LEGISLATIVE BODIES AND CONVENING PLACE

State or other jurisdiction	Both bodies	Upper house	Lower house	Convening place
Alabama	Legislature	Senate	House of Representatives	State Capitol
Alaska	Legislature	Senate	House of Representatives	State Capitol
Arizona	Legislature	Senate	House of Representatives	State Capitol(a)
Arkansas	General Assembly	Senate	House of Representatives	State Capitol
California	Legislature	Senate	Assembly	State Capitol
Colorado	General Assembly	Senate	House of Representatives	State Capitol
Connecticut	General Assembly	Senate	House of Representatives	State Capitol
Delaware	General Assembly	Senate	House of Representatives	Legislative Hall
Florida	Legislature	Senate	House of Representatives	State Capitol(b)
Georgia	General Assembly	Senate	House of Representatives	State Capitol
Hawaii	Legislature	Senate	House of Representatives	State Capitol
Idaho	Legislature	Senate	House of Representatives	State Capitol
Illinois	General Assembly	Senate	House of Representatives	State House
Indiana	General Assembly	Senate	House of Representatives	State House/State Capitol
Iowa	General Assembly	Senate	House of Representatives	State Capitol
Kansas	Legislature	Senate	House of Representatives	State House
Kentucky	General Assembly	Senate	House of Representatives	State Capitol
Louisiana	Legislature	Senate	House of Representatives	State Capitol
Maine	Legislature	Senate	House of Representatives	State House
Maryland	General Assembly	Senate	House of Delegates	State House
Massachusetts	General Court	Senate	House of Representatives	State House
Michigan	Legislature	Senate	House of Representatives	State Capitol
Minnesota	Legislature	Senate	House of Representatives	State Capitol
Mississippi	Legislature	Senate	House of Representatives	New Capitol(c)
Missouri	General Assembly	Senate	House of Representatives	State Capitol
Montana	Legislature	Senate	House of Representatives	State Capitol
Nebraska	Legislature	(d)	Assembly	State Capitol
Nevada	Legislature	Senate	House of Representatives	Legislative Building
New Hampshire	General Court	Senate	House of Representatives	State House
New Jersey	Legislature	Senate	General Assembly	State House
New Mexico	Legislature	Senate	House of Representatives	State Capitol
New York	Legislature	Senate	Assembly	State Capitol
North Carolina	General Assembly	Senate	House of Representatives	State Legislative Building
North Dakota	Legislative Assembly	Senate	House of Representatives	State Capitol
Ohio	General Assembly	Senate	House of Representatives	State House
Oklahoma	Legislature	Senate	House of Representatives	State Capitol
Oregon	Legislative Assembly	Senate	House of Representatives	State Capitol
Pennsylvania	General Assembly	Senate	House of Representatives	State Capitol
Rhode Island	General Assembly	Senate	House of Representatives	State House
South Carolina	General Assembly	Senate	House of Representatives	State House
South Dakota	Legislature	Senate	House of Representatives	State Capitol
Tennessee	General Assembly	Senate	House of Representatives	State Capitol
Texas	Legislature	Senate	House of Representatives	State Capitol
Utah	Legislature	Senate	House of Representatives	State Capitol
Vermont	General Assembly	Senate	House of Representatives	State House
Virginia	General Assembly	Senate	House of Delegates	State Capitol(e)
Washington	Legislature	Senate	House of Representatives	Legislative Building
West Virginia	Legislature	Senate	House of Delegates	State Capitol
Wisconsin	Legislature	Senate	Assembly(f)	State Capitol
Wyoming	Legislature	Senate	House of Representatives	State Capitol
Dist. of Col.	Council of the District of Columbia	(d)		District Building
American Samoa	Legislature	Senate	House of Representatives	Marina Inn
Guam	Legislature	(d)		Congress Building
Northern Mariana Is.	Legislature	Senate	House of Representatives	Civic Center
Puerto Rico	Legislative Assembly	Senate	House of Representatives	Capitol
Federated States of Micronesia	Congress	(d)		Congress Office Building
Virgin Islands	Legislature	(d)		Government House

(a) Senate Wing, House Wing.

(b) Senate: Capitol South Wing; House: Capitol North Wing.

(c) New Capitol Senate Chamber, New Capitol House Chamber.

(d) Unimodal legislature. Except in Dist. of Col., members go by the title Senator.

(e) Senate address, House address.

(f) Members of the lower house go by the title Representative.

Source: The Book of The States 1984-1985, Volume 25, Lexington, Ky.:
The Council of State Governments, 1984, p. 84.

In spite of the lack of unanimous support for the two year budget process, the study did highlight some electric benefits of biennial budgeting.

--During a 2-year budget cycle, agency personnel can spend time in the off-budget year on managing their agency activities (e.g., operating State programs, monitoring cash flow, etc.)

--Biennial budgeting does not require the State government's (legislative and executive level) full-time attention for budget review every year. Therefore, more time is available to do non-budget activities.

--Biennial Budgeting allows a "planned approach" to 2-year budgeting (i.e., through budget preparation, analysis of policy issues, and major budget proposals). (60:10)

Two problems were also uncovered by the study.

--the difficulty in estimating revenues and expenditures and in budgeting for "uncontrollable" items is increased, and

--the legislature has less control over the executive and State agencies. (60:10)

From the result of this study, it would appear biennial budgeting might reduce the amount of time legislators would have to devote to budgetary matters. Yet it would also appear Congress would have to be willing to allow for a little more fiscal autonomy on the part of the executive branch if biennial budgeting were to be accepted as a solution to the budget problem.

Also in 1982, the center for Naval Analysis conducted a symposium on PPBS. Participating in the debate were Dr. Lawrence Korb, assistant Secretary of Defense; Dr. David Chu, Director, Program Analysis and Evaluation, OSD; and Major Generals C.J. Cunningham (USAF), T.R. Morgan (USMC), and Max W. Noah (USA); and Rear Admiral Joseph Metcalf III (USN). Within this distinguished group of public servants and military officers there were varied views

on the future of PPB. However, the group expressed a singular opinion when it came to biennial budgeting. In their collective view biennial budgeting would improve the budget process. (101:183)

Dr. Chu sounded a unitary cacophonous note pertaining to multiyear budgeting. He observed Congress had not embraced two year budgeting with the same zeal as DoD. It was his opinion the two year budget solution would face its toughest sledding in the Appropriations Committee. (101:183) Although Dr. Chu did not elaborate further on this issue, it can only be assumed the Appropriations Committee would lose the most power of the Congressional budgeting committees if a two year budget became a reality. Dr. Chu did suggest the size of the obstacles a biennial budget proposal would have to hurdle was immense. In fact, the size may be so great as to deter Congress from attempting the race. (101:183)

The budget of fiscal year 1983 gains notoriety because it is the first budget wholly prepared by the Reagan Administration. As such it becomes a vehicle for translating campaign rhetoric into reality. The central theme of the 1980 Reagan Presidential campaign had been the necessity to rearm America. Simultaneously, and in support of his future boss' ministrations, the Honorable Caspar Weinberger expressed interest in improving the efficiency of weapons acquisition process. The FY83 budget is an interdigitation of these two thoughts. The cement holding them together is multiyear procurement of major weapons systems. (37:25)

Multiyear procurement is important in the advent of two year budgeting because it is built on the same foundation. Fundamental to both is the desire to improve effectiveness by reducing uncertainty. Uncertainty degrades effective operation by attacking and breaking down planning. When an organi-

zation is deprived an opportunity to long range plan, it acquires an additional measure of uncertainty. Exogenous agents cannot predict the course of the organization. Therefore, they limit contact with the organization because uncertainty is an infectious and communicative disease.

Multiyear procurement is an antidote for uncertainty. It seeks to provide Defense Department vendors with a clear roadmap of DoD's future course by giving them a list of long term defense requirements. With the list vendors can plan more effectively. They can make better capital investment decisions, better design production runs; and better forecasts cash flow. Defense Department vendors respond by providing DoD with a wider assortment of procurement options and a larger industrial base from which to acquire the product.

Two year budgeting has much the same philosophy. Congressional authorization and appropriation of the two year budgets supports DoD efforts to curtail uncertainty. When Congress funds Defense Department two year proposals, DoD can let longer term contracts than it can under annual appropriation bills. Biennial budgeting is a manifestation of federal residue to fulfill the initial planned buy of a particular item or items. It, therefore, reduces uncertainty, and permits vendors to execute their long term plans. (37:25,26) Hence, for these reasons, multiyear procurement can be considered a progenitor of biennial budgeting.

Secretary Weinberger and his deputies have been strong proponents of multiyear budgets and procurements. (83:9) (85:401) It is their considered opinion, multiyear procurement alone can save the government billions of dollars. (83:9) (85:401) Figure 5 is an illustration of the performance of

Figure 5

ACQUISITION IMPROVEMENTS

Cost Growth for Major Weapon Systems:

end of CY 1980	14%
end of CY 1983	1%

Economic Production Rates:

The FY 1986 budget includes 16 weapon systems at an added investment cost of \$1.3 billion in FY 1986, and \$2.6 billion through FY 1990.

Savings achieved from this investment will amount to \$1.2 billion in FY 1986 with cumulative savings of \$5.0 billion through FY 1990.

Multiyear Procurements:

From FY 1982 - FY 1985, Congress has approved 32 multiyear contracts, for a projected savings of \$4.5 billion.

FY 1986 budget requests an additional 6 multiyear programs with anticipated savings of \$1.3 billion.

Source: DoD Appropriations for 1986, Part 1, 99th Congress, 1st Session. p. 35.

multiyear procurement. It shows the copious savings possible through continued use of this purchasing technique.

Concomitant with DoD preparation and use of multiyear contracts, the 96th Congress made several attempts to enjoin the Defense Department to use biennial budgeting. Table 8 depicts the legislation proposed to achieve this purpose. Three of the bills originate in the Senate, while one begins in the House. This signifies some interest exists in both houses of legislature to enact some type of two year defense budget. Yet, there is abundant discord over the motif for this legislation. .

A cursory analysis of these legislative proposals might suggest they are similar. They are not. The Budget Procedures Improvement Act of 1983 (S.12) put forth only minor modifications to the annual process. S.12 simply sought to elongate the budget review timetable by one year. (22:170) Conversely, H.R.750, the Biennial Budgeting Act of 1983 approaches the two year budgeting problem with a different tack. In this legislation, Representative Panetta, the bill's author, tries to obviate criticisms of congressional oversight. The bill reserves the first year of budget review for performance of oversight and evaluation functions. This leaves authorization and appropriation for the second year. H.R.750 was also seen by supporters as a vehicle to restore potency and puissance to the authorizing committee; a committee they perceived was emasculated by the 1974 Budget Act. (22:170)

Polar opposite to H.R.750 in its scheduling of oversight and evaluation, S.20, the Budget Reform Act of 1983, purposed to establish spending priorities early in the budget cycle. Senator Roth, the bill's sponsor, envisioned Congress enacting an omnibus budget bill before the end of the first session. (22:170) The final biennial budget proposal of this period was S.922. Its

Table 8

PRINCIPAL FEATURES OF ALTERNATIVE BIENNIAL BUDGETING PROPOSALS

	S. 12 ^a	H.R. 750 ^b	S. 20 ^c	S. 922 ^d
Mandated Floor Action On Budget Resolutions	Both sessions	Second session only	First session only	First session only
Authorization Legislation	First session only	Second session only	Second session only	Both sessions
Appropriation Bills	Second session only	Second session only	First session only	Both sessions
Session Reserved for Legislative Oversight	Second session	First session	Second session	Both sessions
Fiscal Year to Begin in Odd/Even Year	Even	Even	Even	Odd
Structure of Budget Resolution(s)	Retain current system	Drop second concurrent resolution	Adopt new resolution procedure	Drop second concurrent resolution

^aBudget Procedures Improvement Act of 1983, introduced by Senator Ford on 26 January 1983, with numerous cosponsors.

^bBiennial Budgeting Act of 1983, introduced by Representative Panetta on 25 January 1983, with numerous subsequent cosponsors.

^cBudget Reform Act of 1983, introduced by Senator Roth on 26 January 1983.

^dTwo Year Budgetary Planning Act of 1983, introduced by Senator Cochran on 24 March 1983.

Source: Hanre, John F., "Potential New Patterns of Congressional Review of Defense Budget Requests," Toward a More Effective Defense, Cambridge, Mass.: Ballinger Publishing Company, 1985, p. 171.

major claim to budgeting reform was elimination of the second concurrent budget resolution. Beyond this it supported a more traditional balance between the budget authorization and appropriations committees. (22:170)

Congress lacked the consensus required to pass a budget reform bill in 1983. Therefore, none of these measures were enacted. Yet, the congressional rebuff of biennial budget legislation was not directed against budget reform per se, but rather towards the form of the proposals.

In fact, by 1983, Senator Tower (D-Tx.), chairman of the Committee on Armed Services, United States Senate, was sure the Congress would eventually pass some type of budget reform legislation. (85:359) To prepare himself and his colleagues for this event, he directed his committee begin hearings on the Defense organization, structure and decision making procedures. Senator Tower realized congressmen were somewhat ignorant of the inner workings of 'Foggy Bottom.' Therefore, he called a wide variety of gnostical witnesses to present their opinions on how best to fix the budget process.

Secretary Weinberger was the first to testify. In his opening remarks to the committee, the SecDef called on them to enact legislation mandating a biennial process. He said "On continuity I would like to put strong recommendation that we move away from the single year budget and that we consider very seriously, and I hope would want to adopt, a two year budget. The difficulties of having a system under which the defense authorization and appropriation legislation is not completed when the fiscal year begins is a very, very difficult set of facts for any manager to work with." (83:8) The Secretary went on to amplify this thought by describing the annual cycle as outmoded and archaic. (83:8) He pleaded with members of the committee to follow the recommendations of other members of Congress and "...give us a

2-year authorization and a 2-year appropriation." (83:8)

Secretary Weinberger was followed by Vince Puritano in the committee hearings. Mr. Puritano, also waved the biennial budget pennant by discussing problems with annual budgeting. He said annual budgeting injected instability into the Defense management process. To illustrate his point, Mr. Puritano explained the FY85 budget proposal was in the development stage, yet Congress had not passed the FY84 Defense budget. Without the final FY84 budget, DoD did not have a touchstone to measure the quality of FY85 estimates. Mr. Puritano contended a biennial budget process would overcome this difficulty. However, biennial budgeting was not without risks.

One of the hazards associated with two year budgeting he mentioned was the longer timeframe between program inception and execution. The longer timeframe reduced the accuracy of budget estimates because a corresponding increase in the inaccuracy of inflationary predictions, and it reduced DoD's flexibility to adopt technological advances. To counter this hazard, Mr. Puritano proposed the Congress include in any multiyear budget legislation an increased authority for the Defense Department to reallocate appropriated funds. (85:364-378)

The third speaker before the committee was Dr. David Chu, Director, Program Analysis and Evaluation for OSD. He testified,

In my judgment, stability is the key to further progress in improving the defense resource process. One of the biggest sources of instability today is the short-range nature of the budgets received from Congress. Although the Department prepares a five-year plan, with a ten-year extended planning annex running beyond that, the plan is funded only one year at a time. The Secretary of Defense testified before you in favor of a two-year budget. Several members of the committee expressed support for that initiative. In my judgment, a two-year budget--or some form of multiyear budgeting--is the most important single step we could

take to improve the defense resource planning and allocation process. I urge the committee to act on the support expressed for the Secretary's proposal and to consider a two-year authorization; perhaps beginning with the fiscal year 1985 budget, as a step in that direction. (83:399)

The final speaker was Jack Quetsch, Principle Deputy Assistant Secretary of Defense (Comptroller). Mr. Quetsch saw the primary benefit of two year budgeting as being a 50% reduction in wasted purchases. Mr. Quetsch felt the Defense Department, in a rush to spend all appropriated funds before the end of the annual fiscal cycle, did not always fully examine purchasing options. Hence, he saw a two year budget as not only allowing DoD more time to research potential purchase options, but also cutting by one-half the number of times it would face the prospect of a spending frenzy. (85:406,407)

Antecedent to the completion of the Tower Committee hearings, the Research and Policy Committee of the Committee for Economic Development issued a report recommending several changes to the federal budget process. It was the unequivocal opinion of the committee multiyear authorizations would strengthen the budget process. The report said "Substantially longer authorizations would clearly make sense for many military activities." (20:79) The committee's major reservation with a multiyear budget process was the dearth of experience with it at the federal level. Therefore, they proposed multiyear budgeting be introduced gradually. (20:78-79)

1984

In 1984, Vince Puritano, Assistant Secretary of Defense (Comptroller), announced the Defense Department had completed repairs on PPB. Of interest here is his statement regarding an old nemesis of PPB, fiscal constraints. The Assistant Secretary said "Planning documents now consider fiscal projec-

tions when settling mid-term objectives for force and resource planning."

(45:8) It was clearly the view from OSD, the PPB process was about as effective as it could be in an annual appropriations environment. Therefore, it is not surprising Mr. Puritano turned his attention to the congressional review side of the budget cycle.

It was Mr. Puritano's belief the efficiency of the Defense Department would be improved by timely enactment of a budget. (45:10) He laid out his criticism this way,

The major problem that the Defense Department continues to have with Congress, however, is the year-long Congressional budget review process that concentrates more on programmatic and budgetary detail than on policy-level, strategic or mission oriented, goal-related analysis and review. Confusing and contradictory decisions are made and conflicting signals are sent as the defense budget request moves through the Budget, Armed Services, and Appropriations committees and subcommittees. The appropriations act is then usually late, and DoD spends weeks trying to put the fiscal pieces together, both to carry out the final Congressional decisions and to plan the following year's budget request. (45:10)

To correct this incorrigible situation, the Assistant Secretary recommended Congress adopt a biennial budget review cycle. In conjunction with the recommendation, Mr. Puritano also issued a warning. The warning was for Congress to cap the proliferation of committees involved in budget review. Without this measure of self-control, biennial budgeting would not solve anything. (45:9)

Mr. Puritano's enthusiasm for multiyear budgeting was bubbling over. He proceeded to make an addendum to his biennial budget recommendation for Congress. The Assistant Secretary said OSD should launch its own study of biennial budgeting to ascertain a comprehensive list of the advantages and disadvantages it would hold for OSD. (45:10) In this way he hoped to

prepare the organization for the inevitable transition.

However, 1984 was an election year. The Reagan Administration was deeply entangled in reelection efforts. The myriad of political activities seemed to sap much of the ardor for budget reform at 1600 Pennsylvania Avenue.

On Capitol Hill, the Congress managed to remain active in the quest for budget reform. Representative Anthony Beilenson (D-Cal.), Chairman of the House Rules Committee Task Force on the budget process, conducted a thorough analysis of the budget procedure. The analysis spawned H.R. 5247, a budget reform bill. Salient features of H.R. 5247 were earlier milestones in the review process, modification of the House Budget Committee's membership, and elimination of one of the congressional concurrent budget resolutions. (34:2706) Representative Beilenson saw this last element of the bill as the key to restoring congressional punctuality. The first concurrent budget resolution was nonbinding. It did not force any politician to make any hard choices. Therefore, it was of no real value. Time spent preparing and debating it could be better allocated to more substantive issues. However, the Democratic leadership in the House did not share this view. The bill was not called forward to be voted on in 1984. (29:1594)

In spite of the efforts by the House leadership to stop its spread, the calture of budget reform dilated. Representative James R. Jones (D-Okla.), chairman of the House Budget Committee, became infected. In 1984, he observed "I do think there needs to be some (budget) reform. But there is no reform that can substitute for political will." (49:2018) Representative Jones hit the nail on the head. If Congress lacked the will power to consummate a budget reform bill, it would end in failure. Mark O. Hatfield (R-Ore.),

Chairman of the Senate Appropriations Committee, expanded upon Representative Jones' statement when he said "No matter how many reforms are made, we will always have backsliding." (49:2018) He went on to add "In the Senate legislation only gets done by a unanimous consent or exhaustion." (49:2018) Senator Hatfield, a veteran of many years in the Senate, was stating an important concern. Perhaps even if Congress could amalgamate the different political factions long enough to pass a budget reform bill, there still was no guarantee congressmen would abide by it.

Senator Dan Quayle (R-Ind.), Chairman of the Temporary Select Committee to study the Committee System, was conducting an investigation of the Congressional Committee System. The content of the investigation seemed to overlap with the budget review process. The testimony of witnesses called before his committee harkened back to one common thread. The common thread was the need for a multiyear budget process. (49:2019) Senator Quayle himself even said "Senators are up to their eyeballs with having to vote again and again on issues..." (49:2018) The Senator was referring to the growing frustration among members of Congress with the time consuming redundancy in the budget review cycle.

Even in the face of this boldfaced evidence, Congress could not agree on how to proceed. Senator Tower thought the problems with budget review could be solved by combining the authorizing and appropriating committees. This one super panel would scrutinize all budget related legislation and provide recommendations to the full Senate. In Senator Tower's view, this was the best way to remove the significant roadblocks to timely passage of budget legislation. (49:2019)

But, as mentioned at the outset of this chapter, the train was now speeding down the track and Senator Domenici realized he could either jump on board or be left. Caught in the midst of what was rapidly becoming a budget reform crusade, Senator Domenici proffered a reform bill whose major tenet was the formation of a House-Senate Joint Budget Committee. Senator Domenici reasoned if the budget process could be structured to bring together the most influential budgetary politicians at the beginning of the budget review cycle vice the end, the major stumbling blocks could be removed, thereby eliminating the needless intermediary debate. (49:2019) Nothing came of either Senator Tower's or Senator Domenici's proposals.

Meanwhile, budget reform was fermenting in the House. By August 1984 Anthony Beilenson concluded budget reform in 1984 was impossible. According to Representative Beilenson, the principle obstacle to passage of a budget reform bill was the Senate. No bill could satisfy the discordant views present in the Senate and still be worthwhile. Yet Representative Beilenson felt 1984 was a perfect time to begin laying the groundwork to pass budget reform in 1985. He capsulated his views when he observed that although people have all kinds of problems with the budget process, they still find it profitable to live with a process they know but don't love. (49:2019)

Representative David Obey (D-Wis.) was not as pessimistic over the prospects of budget reform passage as his colleagues. Therefore, in November 1984, he presented his version of budget reform. Representative Obey's bill was analogous to H.R. 5247 in concept and approach. It differed only in the extent it would advance the budget review timetable and the method of funding government operations. The proposed method for funding government operations was an omnibus budget bill containing all budget decisions for

the fiscal year. In this vein, the bill would contain a blueprint for all spending and taxing measures as well as all the authorization and appropriation legislation necessary to implement this blueprint. (50:3033) House Speaker Thomas P. O'Neill (D-Mass.) and House Majority Leader Jim Wright (D-Tx.) considered the Obey bill too radical. It would have meant restructuring the congressional budget organization. Furthermore, it would lead to the erosion of traditional power bases in the Congress. (50:3033) The House leadership prevailed. In December 1984, the Democratic caucus rejected the militant budget reform idea. (38:3125)

Although 1984 ended without concrete legislation on the books, the basic ingredients for budget reform were coming to the surface. It was now only a matter of time before they combined in the right chemical sequence to cause the desired reaction.

1985

Early in 1985 Philip A. Odeen, working under the auspices of the Center for Strategic and International Studies (CSIS), was appointed chairman of an elite group of Defense Analysts. The group's task was to study the activities and organization of the defense establishment with a goal of recommending techniques for more effective and efficient operation. (62:1) Among those serving with this August group were Andrew J. Goodposher and Melvin R. Laird. Both these gentlemen were very familiar with the Defense operation. Mr. Laird had even been associated with this type venture in 1971, only then he was the DoD Chief. Still, the panel's findings with regard to PPB will not vary substantially from those articulated 14 years earlier.

To carry out their mission, the panel felt it necessary to include not only OSD in the preview of the study, but also to review congressional procedures. This study was perhaps the most detailed analysis of the entire budget preparation and review process. Therefore, the results are discussed in full.

The panel began their study with PPB. They had a very definite opinion of the process.

PPBS has not fulfilled the promise of a multiyear process that would proceed deductively from the establishment of national defense priorities through the development of specific defense programs to the formulation of each year's budget request. The model of PPBS as a series of interlocking functions, the output of one forming the input of the next, has not been realized. To meet these objectives, we believe that all three basic phases of PPBS need to be overhauled. (62:38)

Beginning with planning, the group said OSD was negligent in managing the planning function. (62:38) The office of the Secretary of Defense was blamed for not translating national security objectives into policy guidelines for use in the development of the Defense Force structure. Furthermore, the panel reported "...Joint military planning is not constrained by realistic projections of future defense budgets. Consequently, the primary JCS planning documents are fiscally unrealistic and therefore largely ignored in the programming and budgeting process." (62:38)

The proposed cure paralleled recommendations found in earlier studies. First, expand the responsibility of the Undersecretary of Defense for policy to ensure budget decisions conform to mission requirements. Second, task the chairman of JCS to place OJCS planning inputs within a framework of realistic fiscal constraints. (62:33-39)

Programming and budgeting did not escape the panel's scrutiny unscathed. First, the panel felt the two phases were competitive instead of complementing. For example, decisions made in the programming phase were often revisited and overturned in the budgeting phase. In their report, the CSIS group labeled this activity inefficient and wasteful. (62:39) The second problem with programming and budgeting was the link between the two phases. Programming's output was not in a handy format for budgeting. The magnitude of this problem became apparent when cost cutting decisions had to be made late in the PPB cycle. Decision makers were not able to readily acquire information on the risks and repercussions of alternative courses of action. (62:40) This impaired the effectiveness of these decisions. The group described it this way.

The limited ability to translate between programming and budgeting processes is exacerbated by the gaps that occur between the overall fiscal levels used to guide the preparation of defense programs and the actual size of the budgets the president proposes and the Congress eventually approves. The problem begins with the often wide differences between the fiscal guidance assumed by the Department of Defense at the beginning of the annual program cycle in the spring and the actual budget level eventually approved by the president late in the fall. Having put together a program using optimistic fiscal assumptions, the department is faced with the need to make program cuts to meet the president's final budget decision at the end of the cycle. Given the difficulty of moving between programming and budgeting, the department finds it difficult to map out the programmatic consequences of these budgetary adjustments. (62:40)

The panel advised unifying programming and budgeting. (62:40) Just as the previously described 1970 study of PPB had recommended, this one also said a combined programming and budgeting cycle would yield better results. Furthermore, there wasn't any risk associated with this solution as previous opponents to this recommendation had argued. The substance of the opposition was the joining of programming and budgeting would lead to an ascendant budget

phase. The panel countered this position by noting the budget phase was already dominant. In their view, implementation of their recommendation would culminate in a better balance between the two by infusing programming expertise throughout the budget phase. (62:41)

The next fault the CSIS group identified within the DoD organization was its execution of oversight and evaluation responsibilities. (62:41-42) The panel contended DoD did not give adequate credence to historical data available on previous PPB processes. For example, the group thought Defense Department managers would review lessons learned from past cycles and use this information to avoid known pitfalls, thereby making each successive cycle better than its predecessor. The panel did not observe this concept being practiced. From their perspective, almost no attention was paid to previous PPB cycles nor was there any visible attempt to measure the progress of previously approved programs. Two causal factors were mentioned for this abrogation of responsibility. The first was the maladroit accounting base used by the Defense Department and the second was an antiquated information management system. (62:42)

The accounting system is obligation oriented. In other words, where Congress appropriates the money, the Department of Defense, in its fiduciary role as procurer of defense related articles, turns around and commits the money to a contract, even though the material purchased under this contract may not be delivered for several years, as in the case of a Navy submarine. So money is allocated at the outset. An accounting system of this nature is advertant and useful up to the point the participants sign the contract. Afterward there is little emphasis in tracking exactly how the manufacturer spends the funds. Coupled with the accounting problems were difficulties in dispensing accurate, useful information.

The DoD did not have a master plan for the procurement or employment of its management information systems. Information produced from these devices was ad hoc, uncoordinated and sometimes conflicting. A contributing factor to the poor use of office automation was the lack of a common cross-service readiness yardstick. The independent activity of each branch of the Armed Forces had led to different methods for determining combat capability. Senior decision makers had to subjectively interpret several different documents to decide if the military was able to successfully prosecute its war-time mission. Instead, they should have one objective computer output for perusal.

The panel's solution was to add a definitive evaluation phase to the PPB process. To emphasize the importance of the new evaluation process, the group recommended DoD change the PPB acronym to PPBE. (62:43) The recommendation also included suggestions for a new accounting base and an updated information system.

The report paused at this juncture to assess biennial budgeting from a Defense Department perspective. To summarize the group's viewpoint, they were very much in favor of biennial budgeting. Not only would it enhance long-range planning and programming activities (62:41), but it would also add stability to weapons acquisition, reduce program costs, and permit DoD to devote more time to strategy development. (62:49)

Turning its attention to Congress, the Odeen group found these areas worthy of comment. The first was the workload of the individual members of Congress. The panel determined it was too great. They felt congressmen had too much to do and too little time to do it. (62:32) This dilemma certainly stemmed in part from the more complex issues Congress was forced to confront. But Congress also had a tendency to add to its own difficulties.

This tendency was most obvious in the expansion of the roles of some of the committees beyond what is necessary or prudent. (60:32) As was mentioned earlier, 96 committees were involved in budget review in some fashion. (45:9)

The second problem the Odeen group identified was repetition. (62:33) The number of committees reviewing the budget was growing. Clear lines of demarcation no longer existed between the turf of one committee and another. This resulted in a similar problem to the one cited earlier with PPB. Decisions made early in the process were subject to approval and could be overturned downstream. Other management problems emanated from this arrangement caused mainly by an inability to pinpoint a definite decision.

The third problem was a paucity of congressional foresight. Congress had a myopia that prevented it from seeing the ramifications of its decisions beyond the next year. (62:34) As a result, policy review and program evaluation take a back seat to dollar allocation.

In wrapping up its report, the CSIS group suggested biennial budgeting as a comprehensive answer for the problems they cited. (62:34-35) If biennial budgeting were adopted jointly by the Department of Defense and Congress, the Odeen panel felt certain synergistic effects would greatly add to the effectiveness and efficiency of the federal budgeting process.

Although we believe there are likely to be substantial benefits in shifting the entire federal budget to a biennial cycle, such a proposal extends beyond the mandate and expertise of this committee. For the defense budget, however, we can say with confidence that a shift to a biennial cycle--whether in conjunction with the rest of the federal budget or alone--would have a number of significant benefits. It would foster greater stability in the defense planning process and ease the burden now imposed by the annual budget process on the members of Congress. By reducing the time spent on budget review, a biennial cycle would allow greater efforts to be directed at broad questions of policy oversight. And it would permit more attention to be paid to those long-term issues of purpose and strategy that are of the

greatest importance to the nation's security. At the same time, a biennial budget would have a salutary effect on internal Department of Defense resource allocation procedures. It would impart greater stability into the planning process. It would also reduce the amount of time the department spends on budget issues, allowing greater attention to be paid to broader issues of defense strategy and priorities, as well as the evaluation of past decisions. (62:34-35)

In addition to biennial budgeting, the CSIS group suggested Congress reorganize so only one committee would review the proposed Defense programs. This recommendation was an agnate of the earlier Tower proposals. Its purpose was to further streamline the budget review process thereby alleviating the onerous burdens budget review imposed on a congressman's time. The group caveated this last recommendation by saying there were formidable political barriers to reification of such a proposal. (62:35-36)

Contaneous with the CSIS study, the Congress commenced its own review of the Defense Department's method of budget preparation. The basis for this study was a growing congressional fear the Defense Department was handicapped by serious structural defects. (72:111) The fountainhead of congressional trepidation was the testimony of former Defense Secretary James R. Schlesinger.

...In the absence of structural reform I fear that we shall obtain less than is attainable from our expenditures and from our forces. Sound Structure will permit the release of energies and of imagination now unduly constrained by the existing arrangement. Without such reform, I fear that the United States will obtain neither the best military advice, nor the effective execution of military plans, nor the provision of military capabilities commensurate with the fiscal resources provided, nor the most advantageous deterrence and defense posture available to the Nation. (72:111)

This testimony was part of a SASC hearing. The Honorable Barry Goldwater (R-Az.) was committee chairman at the time and the Honorable Sam Nunn

(D-Ga.) was ranking minority member. These gentlemen turned to James Locher, a professional staff member and study director, to orchestrate the investigation. Mr. Locher's report was later entitled Defense Organization: The Need For Change. Two areas of Mr. Locher's audit are pertinent to the development of this paper: his review of PPB, and his review of Congress.

Beginning with the PPB review, the report acknowledges the changes to the system made by Deputy Carlucci in March 1981. However, it intimates these changes were only partially effective. The report said many of the problems OSD thought it had solved still exist. (72:494)

Flaws within PPB span the breadth of the system. Since they already have been discussed ad nauseam, only a summary is presented here. See Table 9.

In his review of Congress, Mr. Locher underscored several problem areas. They are summarized in Table 10. However, for the purpose of this study, two deserve special attention. The first is problem number 3. Problem number 3 clearly demonstrates the congressional study group thought the annual budget cycle was passe. It supported this contention by echoing the findings of the CSIS study group. It found the current budget process to be too demanding and time consuming with regard to legislation. (72:578,580) Senator Nunn expressed it best when he said "... the time and workload the Senate and its committees are being dominated and devoured by this task alone (the budget review)." (72:580)

The study accented the problem of congressional preoccupation with annual budgets by citing four deleterious results. First, it prevents Congress from seeing the big picture. Line item budget review had blinded Congress to the macro picture. No longer was the legislature interested in policy,

Table 9

PROBLEMS/SOLUTIONS FOR PPB

Conclusions	Recommendations
1. The PPB system is capable of responding to changes in policy and management style and generally supporting the management needs of DoD leadership.	
2. The PPB system has no deficiencies so severe that it should be considered the primary reason for changing the fundamental organizational relationships in DoD.	
3. DoD resource allocation is currently hampered by ineffective strategic planning; accordingly, the strategic planning process in DoD should be strengthened.	
4. Both OSD and OJCS have important roles to play in DoD strategic planning; accordingly, efforts should be made to strengthen the strategic planning capabilities of both organizations.	<p>4A. Diminish OSD's predominant focus on resource decisions.</p> <p>4B. Form an executive committee of the Defense Resources Board to serve as the primary decision-making forum for strategic planning.</p> <p>4C. Appoint senior OSD officials with strong strategic planning skills and interests.</p> <p>4D. Create the position of the Assistant Secretary of Defense (Strategic Planning) who would be responsible for establishing and maintaining a well-designed and highly interactive strategic planning process.</p> <p>4E. Insulate strategic planners from excessive outside demands on their time.</p> <p>4F. Strengthen the mission orientation of organizations that contribute to strategic planning by creating mission-oriented offices.</p> <p>4G. Expand the use of net assessments, particularly by OJCS.</p>

Table 9 (cont.)

- | | |
|---|---|
| <p>5. There is an insufficient relationship between strategic planning and fiscal constraints.</p> | <p>5A. Require that the Joint Strategic Planning Document (JSPD) reflect the most likely fiscal constraints.</p> <p>5B. Alter the strategic planning process to have the JSPD submitted after and based upon the Defense Guidance.</p> |
| <p>6. The absence of realistic fiscal guidance results in a loss of much of the value of the PPBS product and undermines confidence in DoD's resource allocation process.</p> | <p>6A. Provide for earlier Presidential review of the defense budget.</p> <p>6B. Require a mid-course correction by DoD after clear indications of congressional intent on the top-line of the defense budget.</p> |
| <p>7. The PPB system fails to emphasize the output side of the defense program.</p> | |
| <p>8. The JCS system is unable to make meaningful programmatic inputs.</p> | |
| <p>9. The PPB system gives insufficient attention to execution oversight and control.</p> | <p>9A. Expand the PPB system to include a controlling phase.</p> <p>9B. Develop the accounting and management information systems necessary to support effective execution oversight and control.</p> |
| <p>10. The PPBS cycle is too long, complex, and unstable.</p> | <p>10A. Recommend to the Secretary of Defense that he consider the following options:
 Redo major strategic planning documents less frequently;
 and
 Merge the programming and budgeting phases.</p> |

Source: Defense Organization: The Need For Change. p. 526-528

Table 10

PROBLEMS WITH THE CONGRESSIONAL BUDGET PROCESS

Conclusions	Recommendations
1. Efforts to reorganize the Department of Defense will prove imperfect unless accompanied by changes in congressional review and oversight of the defense program.	
2. The congressional budget process dominates the legislative agenda and has distorted defense oversight.	
3. Annual congressional review cycles of DoD's budget submission have become counterproductive and inhibit coherent oversight.	3A. Adopt a biennial budget process. 3B. Establish milestone authorizations for major acquisitions.
4. The Congress has trivialized its responsibilities through micro-management of DoD; the Congress no longer focuses on fundamental issues of strategy and national priority.	4A. Have congressional leaders place increased emphasis on avoiding micro-management of DoD. 4B. Consolidate individual line items into force "packages" and authorize packages. (A biennial budget process, while not solving micro-management directly, would help shift the fundamental focus of the Congress by deemphasizing annual budgets and reemphasizing traditional oversight.)
5. The Congress reinforces the flaws inherent in current DoD organizations and procedures; the Congress dwells on material inputs, not mission outputs.	5A. Complete the evolution to mission-oriented subcommittees. 5B. Structure hearings along lines of defense missions, not appropriation accounts. 5C. Modify budget justification material to reflect defense missions.

Source: Defense Organization: The Need For Change, pp. 611,612.

it was captivated by events. (72:589) Second, it served to focus congressional attention on the short term without regard for long term effects.

(72:589) Third, the annual process does not call to account previous cycles. Everyone fixates on the new surety and ignores past deeds. Fourth, the one year cycle facilitates deferral of tough decisions. In the annual cycle, politicians always have an out. They can put off an issue until next year. (72:589)

The congressional study in consonance with previous studies put forth biennial budgeting as the answer to the fundamental problems associated with Defense oversight. (72:602) The two year budget offered the potential to stabilize the planning process, ease the burden on congressmen's time, and allow Congress the time to conduct macro-oversight of the Defense Department. On the debit side of the biennial ledger were these liabilities. First, the problem of reopening debate on an already approved piece of legislation. This might occur in the second year of a two year budget if economic conditions changed drastically. Second, political difficulties inherent in any two year budget proposal. For example, if budgets were enacted in odd numbered years, congressmen would be running for reelection on a budget passed a year precedent. However, if the budget were enacted in an even numbered year, an incumbent president would be in dire straits. He could be three years into his new term before he could present his budget agenda. (72:603)

Even without the other impediments, the political one would be sufficient to scuttle the two year budget idea. However, a method exists to circumvent these obstacles. Judicious use of supplemental budgeting would permit annual

adjustment of a biennial budget thereby solving the crisis at least temporarily. But, what if use of supplemental budgets is unrestricted? It could result in a de facto recitation of the annual cycle. Without some type of qualified, unbiased arbiter, inevitable attempts to overuse supplemental appropriations by opponents of biennial budgeting will dilute its true intent.

In April of 1985 the Senate Committee on Armed Services released a report on the National Defense Authorization Act for Fiscal Year 1986. Section 909 of the report said, "The committee believes it is important that Congress adopt a two year cycle for authorization and appropriation of funds for the Department of Defense." (82:225) In May 1985 the House Committee on Armed Services released its report on the House version of the Department of Defense Authorization Act, 1986. Section 1049 stated "... the Congress finds that the programs and activities of the Department of Defense could be more effectively and efficiently planned and managed if funds for the Department were provided on a two year cycle rather than annually." (79:308) Finally, in July 1985, the Committee of Conference submitted the Conference Report on the Department of Defense Authorization Act, 1986. In it the conferees stated they believed "...a biennial budget for the Department of Defense would substantially improve DoD management and congressional oversight." (90:434)

The climax of sixteen years of budget reform study, testimony and writing came in November 1985. November was the month the President signed the FY86 Defense Authorization Act, otherwise designated P.L.99-145. Section 1049 of the Act not only directed the Secretary of Defense to henceforth present biennial budget proposals to the Congress, but it also tasked the Congress

to authorize and appropriate both years of the budget. (23:472) The legislation designated the FY88/89 Defense budget proposed to be the inaugural biennial budget.

Secretary Weinberger had the foresight to prewise the military departments in October 1985 to begin preparation of a biennial budget proposal. (109:1) and, as early as April 1985, the SecDef initiated the BPPBS by notifying defense agencies to begin biennial planning. (109:1) OSD was ready for two year budgeting. However, it was 24 June 1986 before Deputy Secretary Taft sent a message to all the Commander in Chiefs (CINCs) informing them DoD was moving to a two year budget cycle. (100:1) Although no formal reason is given for the delay, the author surmises this announcement was made to coincide with release of the Packard Commission Report.

1985 may have been the most prolific year for biennial literature and legislation. In 1985, the executive branch sponsored two major studies and various congressional committees published four reports. These documents provided the catalyst to pass the biennial budget legislation. Many people breathed a sigh of relief. They thought the enactment of the FY86 Defense Authorization Act would end the controversy over a two year budget. They were wrong. P.L.99-145 acted more like a stimulant than a depressant to budget reform actions as the next two years will show.

1986

In September 1985, just two months before he was to sign the FY86 Defense Authorization Act, President Reagan appointed David Packard chairman of a blue ribbon panel tasked to study the Defense management system. The results of this report are outlined under the 1986 subheading because the

panel's final report was not published until June 1986. A summary of the panel's findings is listed below.

1. The National Security Council (NSC) on behalf of the President should review, update and disseminate national objectives, policy and fiscal constraints to appropriate federal agencies.

2. The Secretary of Defense, using NSC guidance, will direct the JCS to assess the threat and develop national military strategy.

3. Within the constraints provided by the Secretary of Defense, the chairman OJCS will develop feasible plans to carry out national policy.

4. As often as the Secretary of Defense deems prudent, he should direct chairman OJCS, other members of the national military hierarchy, and the Director of Central Intelligence, to prepare a net assessment of allied military capability to deal with threats to US worldwide interests.

5. The Secretary of Defense will review all military recommendations and ideas. Following the review, the Secretary will recommend to the President a national military strategy. Along with the recommendation, the Secretary will suggest a five year defense budget and apprise the President of risks associated with the strategy he is recommending.

6. The President, using the information provided by the SecDef, will define a national military program and affiliated budget for the ensuing five year period. Once this decision is made it becomes binding on the defense biennial budget process.

7. The Secretary of Defense should closely coordinate with the Congress to develop an operationally oriented budget format. Furthermore, the Secretary is advised to develop a BPPBS procedure to complement biennial budgeting and to include in this procedure provisions for major program evaluation.

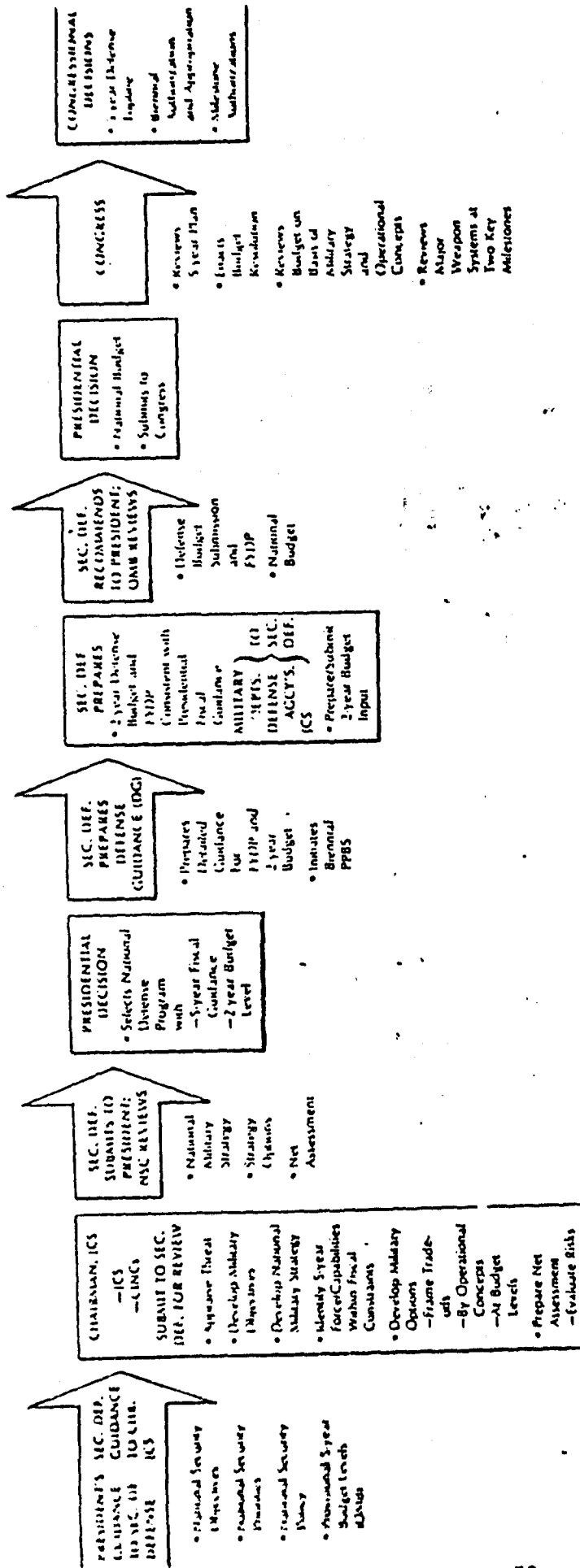
8. If these recommendations are to be successfully implemented, Congress must support them. Therefore, it is recommended the Congress authorize and appropriate a two year budget commencing with the FY88/89 cycle. In addition, the Congress needs to view the budget proposal from the aspect of its contributions to strategy, policy, and operational capability. (63:27-30)

These recommendations were intended to add efficiency and effectiveness to the budget preparation and review process. Mr. Packard believed if these recommendations were fully implemented, the budget process would become more lenient and depurated. Figure 6 is an iconograph of the Packard Commission's procedure. Notice the absence of redundant vortices and whorls blamed by previous analysts for slowing down the budget operation. This streamlined process was seen by the Packard Commission as a way to restore efficacy to budget making. (63:1,2)

On 31 March 1987, Secretary Weinberger notified Congress of the advantages and disadvantages of biennial budgeting from the Defense Department's perspective pursuant to Section 1405 of P.L.99-145. The advantages he listed were 1) reduction in the use of CAs, 2) a longer review cycle allowing for presidential and congressional analysis of DoD policy. He went on to add biennial budgeting was a more stable procedure which would add efficiency to Defense operations. This increase in efficiency of Defense operations could lead to a renewed commitment by Congress to support Defense budget requests. Next, he listed the disadvantages to two year budgeting. The first was a decrease in the accuracy of budget estimates. The additional twelve months increases the element of uncertainty. Cost predictions will be harder to nail down under two year budgeting. Second, biennial budgeting is a more rigid procedure limiting US ability to respond to unforeseen

Figure 6

PROPOSED NATIONAL SECURITY PLANNING AND DEFENSE BUDGETING PROCESS



Five-Year Defense Program

Source: Packard, David. Quest For Excellence. Final Report to the President by the President's Blue Ribbon Commission on Defense Management. Washington D.C.: U.S. Government Printing Office June 1986, p. 31.

crisis. Yet the SecDef was quick to caution against efforts to artificially inject more flexibility into the two year budget process by increasing the use of amendments, supplemental budget requests, and for reprogramming requests. The Honorable Caspar Weinberger personally believed these were nocent activities. After pondering the countervailing issues, the Secretary felt the benefits of biennial budgeting outweighed the liabilities. Moreover, the liabilities of biennial budgeting could be overcome by the combined labor of the executive and legislative branches. In concluding his letter, Secretary Weinberger said "On balance, we believe the risks of the two year budget are manageable, but will require a strong, joint commitment on the part of the executive branch and all DoD oversight committees of the Congress for a substantial period of time." (110:1,2)

On 1 April 1986, and in support of the effort to implement biennial budgeting, the National Security Council published National Security Defense Directive (NSDD) 219 (Secret). This document outlined the firm points of planning and risk assessment under the two year budget procedure.

While OSD exhibited a unified effort to effectuate two year budgeting, Congress enjoyed no such equanimity. Representative Vic Fazio (D-Ca.) called the FY86 Defense Authorization Act's attempt at budget reform "... cosmetic." (54:3139) Rudolph Penner, Director of the Congressional Budget Office (CBO), felt biennial budgeting was aimed at the wrong problem. According to Mr. Penner, the answer to the budget malaise was aligned with the answer to the far more esoteric question of the congressional role in the budget process. (54:3139) In Mr. Penner's opinion, the answer to the latter would be far more helpful than trying to solve the former. Even those outside government were not universally convinced biennial budgeting

would help the status of federal budgeting. A case in point is Frances Modigliani, a Nobel laureate in Economics. Dr. Modigliani felt much the same way as Mr. Penner, that is Congress' efforts were misdirected. According to Dr. Modigliani, the real problem with the US budget process was the size of the federal debt. If the US legislature did not attack this problem in the near future, attempts to repair the budget review procedure would be meaningless. (54:3139)

Obviously, not everyone shared the opinions expressed by this sample. If people espousing these views were a majority, the Congress would not have passed P.L.99-145. In fact, CNN reports 86% of the legislators favor biennial budgeting. (112:--) But these opinions illustrate the discord over the biennial budget issue. As 1986 came to a close, OSD is working fervently to implement BPPB to support the two year budget process while Congress experiences enmity over the issue.

1987

1987 opens with the execution of a historic event. On 5 January President Reagan delivers his FY88 budget message to Congress. Part of the President's FY88 budget, is of course, the first Biennial Defense budget. Although President Reagan's message does not directly address the two year budget procedure, it does castigate Congress for not passing budget legislation on time. (51:81)

Secretary Weinberger was somewhat more straight forward than the President in expressing his feelings toward the biennial budget procedure. In the submission of the FY88/89 Defense budget to the Congress he evinced his candid approach.

This shift to a biennial budget for national defense has very positive implications for budget review and execution. A two-year budget permits greater stability in providing resources for defense efforts, provides for a more effective ordering and production of military equipment, and enhances program planning and execution. It will provide more stability at the operational level where installation and activity commanders and program managers turn budget decisions into action. It will also allow more time to evaluate the results of current and prior-year execution of the defense budget. A biennial budget will free program managers to spend more time and effort ensuring that funds are spent effectively and efficiently.

The two-year budget could forge a new and strong commitment to the nation's defense effort. It should replace a lengthy, time-consuming, and detailed annual review process with a two-year cycle that allows a period for useful policy review and oversight. In these days of increasing fiscal constraint, it is all the more critical that we weigh the requirements for national security programs within the overall context of national priorities, rather than allowing them to become obscured in the line item review of funding levels. (90:86)

A major concern of the administration at this juncture was the dependency of the FY89 budget request on the success of the FY88 request. The administration sent Deputy Secretary Taft to the Hill to convey this concern. In February 1987, Deputy Secretary Taft in hearings before Senator Stennis' (D-Miss.) Committee on Appropriations, underscored the administration's support for two year budgeting. However, he also went on to stress the linkage between the FY88 and FY89 proposal.

We have prepared the budget in budget-quality submission for both fiscal years, thoroughly scrubbed, consistent with the congressional direction that we submit such a budget, and also consistent with the Packard Commission's recommendations on this subject. This is a very important step toward stability in the defense program, if we could get a 2-year appropriation for the Department. So, what we are requesting is 3 percent real growth in both years over the previous year. That is an important innovation that I wanted to note at the outset. Substantially, the program builds on the prior years that we have proposed and the committee has acted on during the first half of the decade. The priorities of earlier years

are reflected in the requests that we have before you, and that is to be expected. But there is another difference. That is, that we have had to address these priorities within a more constrained environment. (73:5)

Later in the year in hearings before the House Appropriations Committee on the FY88/89 proposal, Secretary Weinberger pushed for two year authorization and appropriation of the Defense budget request. In his prepared statement to the committee, the SecDef elaborated on the problems DoD had experienced with the FY87 budget request. He portrayed them as endemic to the annual cycle. He said the two year budget process offered a way out of the fiscal swamp.

The President and I have been longtime proponents of a two-year budget. In the FY 1986 Department of Defense Authorization Act, the Congress expressed its intentions to authorize a two-year budget for the Department of Defense for FY 1988/FY 1989. Subsequent to these optimistic words, however, the authorization process for FY 1987 nearly failed altogether. The appropriations committees failed to achieve separate DoD legislation, resorting ultimately to an omnibus continuing appropriations bill. And, in the midst of the struggle to achieve some degree of control in the budget process, the topline for the Department of Defense fell to a level lower than that approved for FY 1985. In efforts to meet arbitrary fiscal targets, it often appeared as though legitimate program requirements became irrelevant to the review process.

It is exactly this kind of budgetary chaos that two-year budgeting may prevent by allowing us the opportunity, every other year, to focus on overall defense issues and priorities rather than line item detail and budget totals. (73:37)

Even though the administration was enthusiastically embracing biennial budgeting, certain factions within the Congress continued to resist it. The basis for their opposition did not seem to be the biennial budgeting concept, rather it appeared to be the configuration of the biennial process. The foundation for this posit is not only the number of budget reform bills proposed following passage of the 1986 Defense Authorization Act but also the fact these newly proposed bills included the two year budget submission

provision. For example, consider Senate Bill S.832. It was a biennial budget sponsored by Senator Domenici (R-N.M.). Senators Quayle (R-Ind.), Dole (R-Okla.), Garn (R-Utah), Gramm (R-Tx) and Symms (R-Miss.) cosponsored this bill. The legislation, proposed on 25 March 1987, was designed to be a more radical budget reform measure than the one included in the FY86 Defense Authorization Act. The main elements of S.832 were 1) force spending decisions into compliance with the congressional budget resolutions, and 2) restore Gramm-Rudman automatic spending cuts. (57:547)

The fact S.832 has not garnered the necessary votes to become law is not important. What is important, is S.832 was just one of 150 budget reform bills referred to the Governmental Affairs Committee in 1987 for action. All these bills deal with biennial budgeting. (28:3) Senator Glenn (D-Ohio) is committee chairman. He has not established a schedule yet for reviewing these measures. (28:3)

On 17 April the Budget and Program Newsletter heralded the arrival of BPPB. (27:1) With this announcement came the realization the Defense Department would no longer conduct its annual budget ritual. The question was what will DoD do in the off budget year? (Figure 7 displays the BPPB events for calendar year 87/88. (27:3)) The major feature in the non-budget year of BPPB will be the Implementation Review. The purpose of the Implementation Review is to evaluate the exactitude of Defense threat analysis, selection of programs, and the execution of previously approved programs.

Only recently DoD completed its first off budget year of the cycle. Anonymous Pentagon sources have suggested the execution of off year events needs work. Apparently many opportunities were missed to sell DoD programs to potential congressional sponsors as well as educate congressmen on the Defense operation.

Figure 7

BPPBS TIMETABLE

Calendar 1987

January.....	President issues national security strategy. <u>Provisional budget levels</u> forwarded by OMB (FY88-94). "For Comment" draft of policy guidance issued.
July.....	CINCs (Commanders in Chief of Unified and Specified Com- mands), OSD, and Services submit implementation review issues. <u>You will notice...</u> the absence of any "program" actions during this period.
August.....	<u>Implementation review issues</u> formulated with Services, CINCs, and OSD staff.
August 15.....	<u>Strategy issues</u> (if any) forwarded to President.
September 15.....	President's strategy decisions received. <u>This is the date</u> the military have previously forwarded budgets to OSD. Not mentioned in this schedule.
October 1.....	<u>Complete draft</u> of FY 90-94 defense guidance circulated for comment.
October 14.....	DRB (Defense Resources Board) and CINCs meet to address: -- FY 90-94 defense guidance. -- CINC implementation issues.
October 19-23.....	DRB continues to meet. <u>Decision memoranda published...</u> if required.
October 31.....	<u>Final draft</u> of defense guidance published.
November.....	CINC integrated priority lists due. <u>Budget adjustments...</u> made as required.
December.....	Budget adjustments/submissions...as required. <u>FY 90-94 defense guidance published.</u> Instructions issued for POM (Program Objective Memorandum) submission.

Figure 7 (cont.)

Calendar 1988

January..... Possible budget adjustment submitted. Notice there is no mention of a full budget going to Congress. Position of OSD is that it has already submitted its FY 1989 budget, subject only to these adjustments.
President issues...FY 90-94.fiscal forecast
Deputy Secretary issues...FY 90-94 fiscal guidance.

March-April..... Medical POMs submitted in March. Military service POMs (FY 90-94) submitted in April. This is the regular calendar 1988 program request, skipped in 1987.

May..... Program review issues formulated with Services, CINCs, and OSD staff.

June-July..... DRB and CINCs meet to consider issues. Program decision memorandum signed (early July).

September..... Budget review begins mid-month. The traditional OSD/OMB review...occurring in the second year only.

October/December..... Budget review continues. Wrapped up in December.

Calendar 1989

January..... President's budget submitted for FY 90-91.

Source: Budget and Program Newsletter, Vol. XIII No. 16, 1987.
17 April 1987, pp. 1,2.

1987 closed on a sour note with regard to biennial budgeting. Not one of the 13 appropriations bills had been enacted into law. (27:1) It is the author's opinion the appropriation bills were relegated to a subaltern role because of exogenous circumstances. For instance, the stock market plummeted 400 points on 19 October sending world finance into a tailspin. The budget deficit received at least part of the blame for the crash. Another problem affecting congressional budget action, and related to the budget deficit, was the Gramm-Rudman spending cuts. They were to automatically take effect in November if the President and Congress did not mutually agree to slice \$23 billion from the federal budget. With these events to occupy their schedule, it is not surprising Congress failed to complete their budget review on time.

Summary

In this chapter, the convoluted, ulterior trace of the defense biennial budget procedure has been uncovered in a chronologic fashion. This historical trace shows throughout the history of two year budgeting there has been a remarkable similarity in the reports and studies leading to its formulation as a national budgeting tool. For example, some of the commonly mentioned faults with the Defense Department budget preparation were:

- 1) The scarcity of fiscal and strategic guidance given OJCS.
- 2) The feckless products JCS developed.
- 3) Tautology inherent in the Programming and Budgeting phases of PPB.
- 4) Incongruous output formats by Programming and Budgeting.
- 5) Presidential ukases in the final weeks of budget preparation. These in turn force Defense officials to make crisis program decisions.

6) Inefficient purchasing procedures driven by the annual budget cycle.

When these deficiencies are viewed in the context of America's expanding world military commitments, their full impact becomes clear. More is demanded of Defense resources while funding for further resources has not expanded to keep pace. For example, the American Navy has been requested to escort oil tankers thru the Strait of Hormuz, Marines were sent to Lebanon to keep the peace, and President Reagan called upon a joint military force to execute the invasion of Grenada. The expanded use of the US military has placed stress on the resource allocation system. Ways had to be found to do more with what had been appropriated by Congress. The solution was perceived to be multiyear budgeting. Proponents argued multiyear budgeting generated managerial and financial savings by increasing the effectiveness of planning and purchasing thru the use of efficient buying techniques, such as economic order quantities, advanced ordering, and longer term contracts. Biennial Planning, Programming, and Budgeting became the new budget preparation procedure. BPPB was designed to exploit the advantages of the multiyear budget.

Reports oriented toward the congressional portion of the budget process also seemed to arrive at a communal list of problems. The Byzantine review procedures also seemed the most often mentioned. However, an inability to make substantive, binding decisions and a propensity to engage in micro management were also prominently mentioned difficulties. Again, the budgeting pundits saw biennial budgeting preferable to annual budgeting.

Two other properties of the history of biennial budgeting development recurred with enough frequency to make them noteworthy. The first was the consonance of Defense Department rebuttals to the disparaging parts of the inquiry's findings. DoD managers said the problem areas identified by the

investigators were being treated. Yet, with remarkable uniformity, the next investigation would diagnose virtually the same problem. An example would be the correlation between one of the findings in the 1970 report given to Secretary Laird, the findings of Donald B. Rice in 1979, and the findings of the CSIS group in 1985. Each report pinpointed a common problem with the planning phase. The problem was the lack of fiscal guidance. (91:114-115), (64:5), (62:500) Yet, fiscal guidance was not incorporated into the planning phase, at least to the extent intended by the researchers. The question is why. To begin with, it is the author's opinion each SecDef did in fact, take steps to correct the deficiencies the investigators found. The difficulty was the steps were not exactly what subsequent investigators would term adequate. For instance, Secretary Laird tried to put a fiscal framework around planning, but he was not in position long enough to fine tune the fiscal input to JCS. When a new administration came to power, they brought along new ideas. As the reins of power changed hands, many of the previously instituted corrective measures were probably discarded in favor of the new chief's methods of management. Therefore, the same problems would periodically reappear.

Two other circumstances exacerbated the problems of instituting corrective measures. First, the military personnel associated with PPB at the grass roots level rotate periodically. Therefore, there must be a constant re-education process to make sure everyone knows the current procedure. Second, there is bureaucratic inertia. Civilians in the PPB structure become familiar with one method of accomplishing a particular task. They don't adapt to new procedures readily. Given the SecDef is a political appointee, some of the public administrators may simply wait for a change in administration to revert to previous, time tested procedures.

The second historical property of biennial budgeting worth noting is the apparent lack of information crossflow between DoD independent study groups, GAO, and Congress. Many congressional studies duplicate actions already taken by DoD or an independent group. For example, Rice, CSIS, GAO, and the SASC all studied PPB in a five year period between 1979 and 1985. Granted, the scope of some of the reports was broader than others, but still they all expended time and money to study PPB. Even within the Congress, there is some duplication of effort. For instance, in 1983 the SASC held hearings on the defense organization, structure, and decision making process; and again in 1985, the SASC sponsored as a study, Defense Organization: The Need for Change. Both looked into PPB as part of their investigation. However, as mentioned above, the scope of their examination did differ. However, many of the same conclusions were drawn with regard to PPB.

Finally, this historical account shows a majority of legislators finally agreed to support biennial budgeting. The actual outcome of the maiden attempt at passing a two year defense budget remains a mystery at this time. However, it would appear it has been at least partially submerged in the murk of politics.

If the two year budget is to succeed, it must be given a fair chance. Certainly a change to the budgeting procedure of this magnitude will require adjustments. The politicians and bureaucrats must allow it time to evolve to a procedure everyone on Pennsylvania Avenue can be comfortable with. The alternative is to revert to the old way of doing business and that hasn't proven all that successful. The danger now is biennial budgeting may be swept away by the tenacious current of robust political issues.

CHAPTER THREE: ANALYSIS

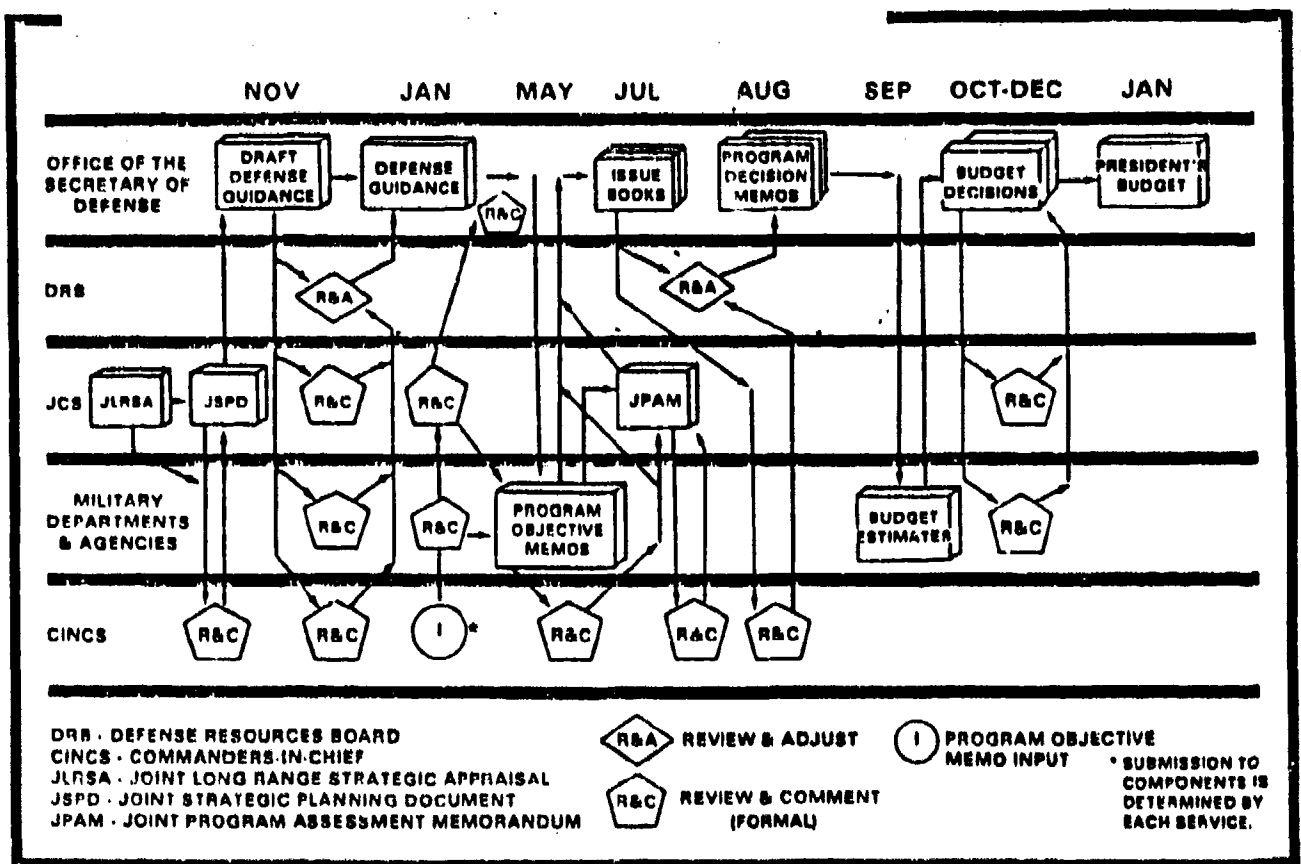
This chapter will examine biennial budgeting and BPPB to determine if a two year budget cycle is the answer to the budget problem. To define the budget problem, this paper will use the list of generally cited complaints outlined in the summary of the previous chapter. The analysis will begin with a dialectic review of BPPBS. The purpose of this review is to demonstrate the superiority of BPPB to PPB. Next, the paper will take on the congressional biennial budget review procedure. The objective of this portion of the analysis will be to ascertain the aptness of two year budgeting as a solution to the budgeting dilemma. It will compare preeminence against the annual budget process with innovations offered by biennial budgeting.

Figure 8 is presented at this time to refresh the reader's memory on the annual PPB cycle. Refer to Figure 7 for a description of the BPPB cycle. It will be used to discuss BPPB in the following analysis.

Comparing Figures 7 and 8 reveals five significant differences between BPPB and PPB. The first and most obvious difference between the two is time. The PPB cycle is a 17 month process (61:9) from inception to Presidential delivery of the budget message. BPPB, on the other hand, lasts 27 months. (27:3) One note of explanation. Figure 7 shows BPPB beginning 24 months prior to submission. Actually, the services and JCS begin work three months earlier. Figure 9 may help illustrate this.

The second difference is the point of presidential involvement. In PPB, the President did not become involved until the terminal stage. BPPB moves this point of initial presidential involvement forward to the initiation of the cycle where he establishes the fiscal constraint and articulates

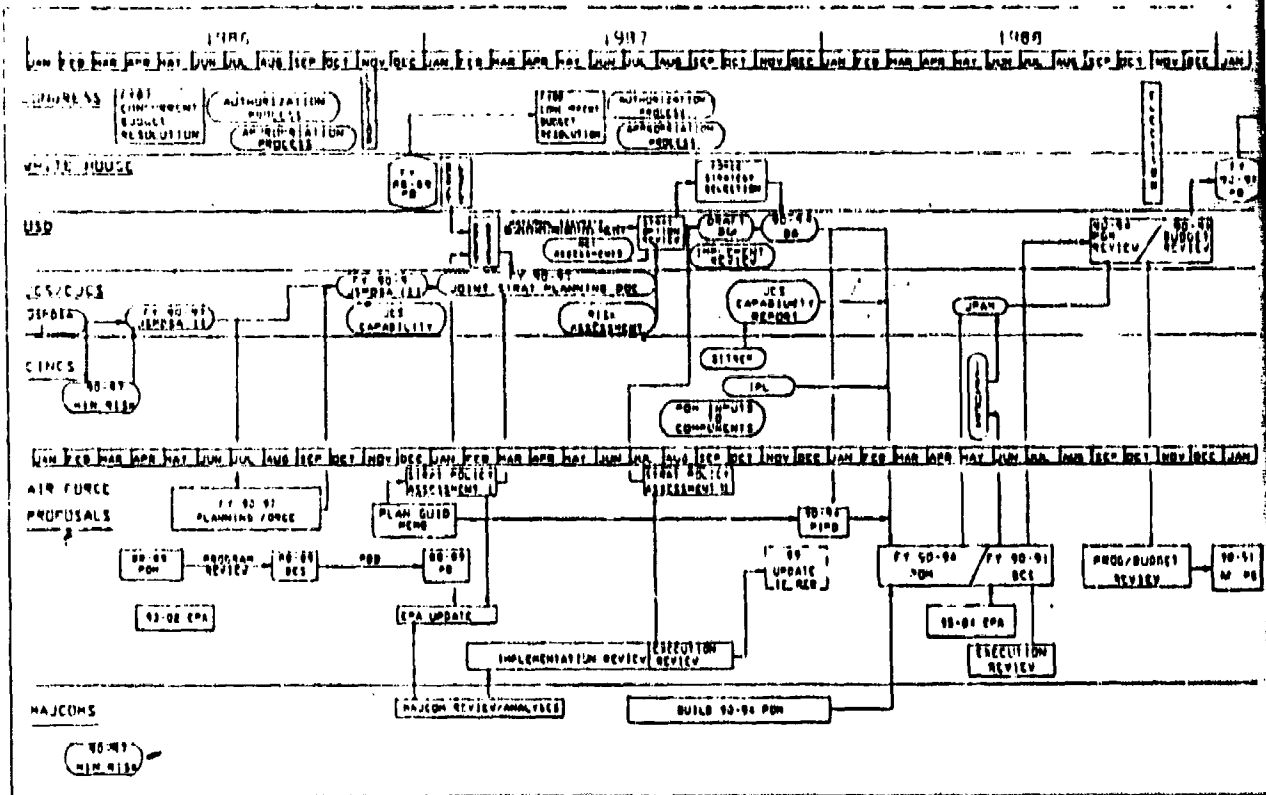
Figure 8
PLANNING - PROGRAMMING - BUDGETING



Source: AFSC Pub 1. 1986., p.5-8.

Figure 9

BPPBS TRANSITION (AIR FORCE PROPOSAL)



Source: Headquarters, United States Air Force, Directorate of Programs and Evaluations. A Primer (Interim Edition) The Planning, Programming, and Budgeting System (PPBS). Washington D.C.: Department of the Air Force, January 1987. P.46.

the national strategy for his administration. This change was implemented because of two oft mentioned criticisms of JCS planning. First, JCS planning documents were useless because they were not founded on fiscal reality. Second, JCS planning documents lacked credibility because JCS was not formally apprised of national policy. (46:24) (72:493,496)

Defense observers had the impression poor planning had an invidious effect on the rest of the process. Errors in planning documents led to poorly conceived programs. These programs were designed to satisfy ephemeral aims which in turn generated an erroneous budget. Ultimately it wasted the taxpayers' money. By having the President specify the Defense TOA up front, DoD nullified the heterodox surrounding Defense planning. The imperative of this transmogrify cannot be over estimated. A congruent approach to accordant goals creates numerous synergistic effects throughout the process. For example, if a stated national goal was to be able to engage in and win a low intensity conflict, it would prove more cost effective for all three services (Army, Navy, and Air Force) to work toward the same goal. It would not be productive for the Navy to construct a POM directed at another carrier battle group, while the Air Force concentrated on buying B-1s and the Army built up its special forces. This process would create an Army Special Forces Group trained for low intensity with no way to insert it into the theater of operations. A more cost beneficial approach would be for the Navy to use a portion of its POM to develop a capability to surreptitiously place men and materials into a contested area. The Air Force should refine its methods of covertly acquiring intelligence, and the Army should continue to train the troops for counter insurgency. The importance of knowing and acting on a common goal is illustrated by the result from this latter course of action. It gives the US

a joint capacity in excess of the capability of the individual military departments. Discursively, the biennial budget preparation cycle supports synergism. It allows the federal government to protect US interests at lower costs.

The third difference between PPB and BPPB is the implementation review. The implementation review is scheduled in the budget year. The budget year is defined as the year when Congress performs its authorization and appropriation functions. The purpose of the implementation review is to formalize and edify a program evaluation and oversight function. (102:1) Program evaluation and oversight were two areas where DoD had been upbraided for its paucity of attention. (63:9), (72:505), (62:42) Moreover, the SecDef had admitted DoD did not do a good job in this arena. (83:13)

Heretofore the Army had been the only service to formally adopt an evaluation process. To illustrate the esteem the Army placed on evaluation, consider how it modified the PPB acronym. In Army vernacular, PPB is called PPBE where the "E" stands for evaluation. (59:154) This modification to the acronym embodies Army concern and commitment to oversight and evaluation.

Installation of a formal oversight function into the BPPB process was more than an attempt to blunt further carping by DoD critics. The implementation review, if properly amplified, provides DoD with a mechanism to accurately track vendor performance, weapons system maturation, and product performance. These gains constitute a Brobdingnagian step toward enforcing vendor accountability and certifying felicitous spending of public monies.

An ancillary benefit of the implementation review is earlier identification and treatment of production problems. In this area, the implementation review

has the potential to save the government money by avoiding cost overruns due to failure to meet production schedules.

When properly employed, the implementation review has the verisimilitude to make PPB a circular process. The process begins with a plan. Then builds and budgets programs to support the plan, and evaluates the process by analyzing how well the implemented programs support the plan. Finally, it feeds this implementation back into the cycle so managers can improve the process.

The fourth variation between BPPB and PPB is somewhat obstruse. The difference is in the allocation of effort among the three phases. PPB earmarked only a couple of months for planning. This earned the planning "P" the reputation of being the silent "P." (85:388) Planning's goal is to span the gap between national policy and resource allocation. However, DoD had treated planning as the errant stepchild in the PPB process. (55:33) In BPPB, planning has been revised under the two year procedure, planning dominates the first year of the procedure. (See Figure 10) OSD level planning begins in January of the first year of the cycle with a meeting between commanders and DRB boardmembers to work out changes to policy guidance. The reader will note a slight discrepancy between the timing of the planning phase in Figure 10 and the chart in Figure 9. Specifically, Figure 10 shows planning starting with Step 1 in January 1987, while Figure 9 shows planning for FY90 budget presentation beginning as early as February of the preceding year. This variation relates to the level of management being discussed. Figure 9 is showing all activities from the major commands to the White House while Figure 10 shows OSD level activities. The bottom line is BPPB restores planning's credibility and influence in the planning, programming, and budgeting trilogy.

Figure 10

DETAILED PLANNING SCHEDULE

FY 1990-1994 Defense Guidance

PHASE I - Policy Guidance

<u>Step</u>	<u>Activity</u>	<u>Date Action Complete</u>
1.	Commanders of U&S Commands and DRB members provide recommendations to SecDef for major changes to Policy Guidance of previous DG	January 7, 1987
2.	USD(P) provides DoD components and CINCs "For Comment" draft of Policy Guidance	January 23, 1987
3.	NSC/OMB issue provisional budget levels	January 30, 1987
4.	DoD components and CINCs submit comments on "For Comment" draft of Policy Guidance	February 6, 1987
5.	DRB meets, if necessary, to resolve Policy Guidance issues	February 24, 1987
6.	Information draft of Policy Guidance published	February 27, 1987

PHASE II - Strategy Guidance

7.	CJCS presents SecDef the FY90-97 JSPD, including recommended national military strategy for FY90-94 and military options for submission to the President and recommended changes to the DG Strategy Guidance	July 15, 1987
8.	Comments on draft national military strategy and military options are submitted to USD/P by designated DRB members and distributed by DG Staff	July 29, 1987
9.	Representatives of designated DRB members meet to discuss/resolve issues, if any, in national military strategy and military options draft	July 30 - August 1
10.	SecDef approves/modifies draft national military strategy and military options and presents them to the President	September 1, 1987
11.	Information draft of DG Policy, Strategy and Fiscal Guidance, based on the President's decisions on the national military strategy and military options, is circulated to DoD components and CINCs	o/a September 18,

PHASE III - Forces and Resources Guidance

12.	Commanders of U&S Commands and DRB members provide	October 8, 1987
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Figure 10 (cont.)

<u>Step</u>	<u>Activity</u>	<u>Date Action Completed</u>
	recommendations to SecDef for major changes to Forces and Resources Guidance	
13.	USD(P) provides DRB members and CINCs "For Comment" draft of Force and Resources Planning Guidance	November 2, 1987
14.	DRB and CINCs meet to discuss DG 90-94	November 19, 1987
15.	DRB members and CINCs submit comments on "For Comment" draft of Force and Resources Planning Guidance	November 23, 1987
16.	DRB meets to resolve issues in Forces and Resources Planning guidance	December 16, 1987
	- JCS provides table of current, program, and planning forces	December 16, 1987
17.	Information draft is published	December 21, 1987
	- DepSecDef and SecDef review the Information Draft DG and modify/approve it for publication	
18.	FY 90-94 <u>Defense Guidance</u> published	December 31, 1987

Source: Taft, William H. IV, Memorandum For The Members of The Defense Resources Board and the Commanders In Chief of the Unified and Specified Commands, Subject: The Planning Phase of the DoD PPB System. FY 1990-94, 18 November 1986. p. 2,3.

The final alterity between BPPB and PPB is prima facie. DoD does not intend to submit another budget for FY89 (80:308) The implementation review will analyze the programmatic impact of congressional budgeting decisions on the FY88 proposal. Supplemental budget requests will be used to attempt to correct any significant shortfalls.

BPPB is in its infancy. It has not yet achieved the goals its proponents have set for it. It is important DoD managers do not become discouraged. If they do, they will not realize the full potential of BPPB. Every new management tool experiences growing pains. It will take time to fine tune and adjust BPPB to where users are comfortable. The introduction of BPPB into the Defense Department is similar to installing new office automation equipment in an old-fashioned management area. At the outset, personnel will remain inveterate manual system users. Gradually they will use the new system for mundane or simple tasks. As they become familiar with the equipment they begin to gradually exploit its capabilities until finally the new system is fully integrated into the office routine. For BPPB to be successful, it needs the same chance given the new office automation equipment. Users need to work with BPPB before they will completely adopt it.

Although BPPB is a substantial innovation, it does not combine the programming and budgeting phases and thereby solve some earlier criticisms. Merging the programming and budgeting phases was suggested in several instances (46:28), (64:16), (85:391), (62:40), (22:79), as a way to avoid redundant, and sometimes contradictory decisions, and as a technique for shortening the length of PPB. (72:504) The Defense organization study illustrates the problem this way.

Many Service officials have expressed frustration over the "double jeopardy" of two separate reviews (program and budget) at the OSD level. This narrow institutional perspective is buttressed by the actual practice of reductions so large during the budgeting phase that they are tantamount to major program decisions. (72:525)

Members of the administration do not feel combining the program and budget phases is necessary or sagacious. Three top level Defense Department officials took public positions opposing it. Jack Quetsch, Principle Deputy Assistant Secretary of Defense (Comptroller), said,

There is a reason why these phases are separate. We can't simply look at them as separate and assume they are duplicative. In the programming phase, we are testing the candidate programs submitted by the military departments against the objectives of the Department. In the budget phase, we are testing against a wholly different set of criteria. The programs that survive the first test we then test in terms of do-ability, time phasing, pricing, and all the things that matter in putting together a good defensible and doable budget. Even if we were to combine these two phases, we could not shorten either one of them. All you would do is get a budget submission earlier in order to give us time to do both a program and a budget review. You could not put together a good business-type budget until after you put together the program, so there would be two phases anyhow in which you would have later and less useful input from the military departments. (72:526)

Dr. David Chu, Director of Program Analysis and Evaluation, concurred with Mr. Quetsch. Dr. Chu went on to say fusing the two phases has a high potential for degrading DoD decision making. (85:401) Finally, Deputy Secretary Taft IV clearly and unequivocally articulated OSD's intent not to merge programming and budgeting.

This proposal (the notion of combining the program and budget review) was considered at the start of this Administration and was rejected. I continue to believe that combining the program review with the budget review is a bad idea. It is very important for us to have the opportunity to consider the fundamentals of what we are doing with our resources to implement our strategies

and achieve our goals. It is equally important to review the budget carefully to ensure that it has been "scrubbed" to the most efficient and executable levels possible. I am convinced that the separation we now maintain between these two processes leads to the best outcome--a program that meets our objectives with a budget that is well priced. Merging the two processes will inevitably diminish the excellence of the outcome. Therefore, I continue to believe that the Administration's original decision was correct and do not plan to merge the two activities. (104:--)

Both sides have good reasons for their positions. However, since DoD is firmly committed to two separate programming and budgeting phases, the issue of unifying the two appears to no longer be worth debating. However, the reader should not construe this statement to mean the original problem is solved. It simply means another avenue must be found to effect the desired result.

To locate this other approach, return to the original two problems for a moment. They can be distilled to one core issue. This issue is the wasted effort caused by deciding the same problems more than once. (22:79) When program decisions are readdressed during the budget phase, it causes two adverse results. Not only does readdressing earlier decisions lengthen the entire PPB cycle, but it also causes inefficient use of senior level managers' time.

The main issue of wasted effort has one root cause--unrealistic fiscal guidance. When OMB and the Department of Defense decide the defense portion of the federal budget at the beginning of the PPB process, the Defense Department normally seeks a very high estimate to accommodate its anticipated programs. (22:80) This estimate of the DoD budget is not just optimistic, it's pernicious. Errors incorporated in the Defense fiscal guidance contaminate the entire PPB cycle. However, they cause the greatest difficulty

for decision makers who must use the inflated fiscal guidance as the basis for their deliberations. These are the program review decision makers.

Normally, the fiscal guidance is refined as the PPB cycle progresses. Therefore, the decisions made early in the cycle are founded on inferior data and are likely to be reversed. The solution is to improve the quality of original budget estimates. BPPB is attempting to improve the early budget estimates through early presidential involvement. As mentioned above, the President will establish binding budget estimates for Defense at the beginning of the planning phase, thereby providing a more practical fiscal starting point. However, DoD should take one additional step to reduce wasted effort within the PPB cycle. Instead of separate program and budget reviews, combine the two at a mutually agreeable point in the BPPB process. Blending of the two reviews coupled with enhanced fiscal guidance will reduce the lead time required to develop a budget. It will also make high level defense managers more productive because they can reallocate their time to other, more pressing matters.

One problem remains. It is the problem of budget format. The budget format needs revision for two reasons. First, it is not mission oriented. (62:41), (59:69) The budget format encourages line item congressional review without displaying the ramifications of changes to those line items. When a congressional committee makes one or more adjustments in the authorization/appropriation process, it has no clear idea of the resultant effect of that adjustment on US strategy or policy. (85:391) As one of the branches of government acting as a check and balance for the executive branch, it needs this information.

The second reason for revising the budget format is the Defense Department's inability to rapidly determine the consequences of "tail-end perturbations." (46:25) Tail-end perturbations are the ineluctable late changes to the federal budget. Consequences of these budget changes cannot be quickly and accurately determined unless budgeteers can communicate with programmers. The present budget format does not support rapid cross-talk between budgeteers and programs. (22:80) This denigrates decision making in the late stages of PPB.

The solution to the last dilemma is a revised format common to programming, budgeting, and Congress. The revised format should focus on mission capabilities and defense policy thereby providing Congress a macro-picture of resource allocation and management. Moreover, it should allow for quick analysis of fiscal alterations and facilitate consideration of time sensitive budget alternatives. Ultimately the common format promotes effective and efficient management of Defense assets.

In toto, OSD's shift to BPPBS has improved the Defense Department's budget preparation procedures. Enhanced fiscal guidance along with a robust implementation review procedure are two significant measures directed at achieving Secretary Weinberger's goal of more efficient and effective management. (89:73) There is room for further progress and those steps have been mentioned above. But BPPBS, as described in DoD literature, constitutes a monumental step up in Defense budget preparation.

While the emends made in OSD go far towards strengthening the budget generation procedures, their capacity to dramatically influence the overall budget process is secondary. The primary area for instituting compelling budget improvements is Capitol Hill. (22:36) Congress' primacy arises because

of Constitutional factors. (3:1,29) The Constitution gives Congress a key role in the development of defense forces, strategy, and policy.

In analyzing the Congress, this paper will begin by looking at the effects of congressional legislation on OSD efforts to police the defense management system. Second, this paper will direct the impact of biennial budgeting on the congressional budget review procedure. The analysis will compare biennial budgeting to the common criticisms of the congressional budget process. The results of this comparison will show biennial budgeting in most instances treats symptoms not causes of congressional budgeting problems. Finally, the paper will provide some additional corrective measures that will restore the desired efficacy to budget review and enactment.

In the past, congressional actions have failed numerous defense plans, thereby frustrating OSD efforts to improve its operations. (72:569) Furthermore, profluent congressional legislation, reports, and correspondence have created abundant obstructions to the sound management of federal agencies. (58:89) For example, the Grace Commission found the federal government could achieve significant cost savings through the use of multi-year defense contracts. (87:37) Multiyear contracts permit DoD to use advanced purchasing techniques such as contracting economic order quantities. Exercise of these purchase techniques is sometimes not possible within the normal constraints imposed by the annual budget timeframe. Congressional relief, therefore, is required before DoD can apply multiyear cost cutting measures. Yet, Congress has restricted DoD use of multiyear contracts. (76:37) Secretary Weinberger has repeatedly tried to ameliorate these

restrictions. (89:75), (78:52), (83:9) A case in point concerns the FY1985 budget. Secretary Weinberger noticed congressional support for the multiyear budgeting was waning. Figure 11 illustrates the SecDef's concern by showing the trend in congressional approval of multiyear programs requested by DoD. In hearings before Congressman Addabbo's (D-N.Y.) subcommittee, the Secretary sought to rekindle political support.

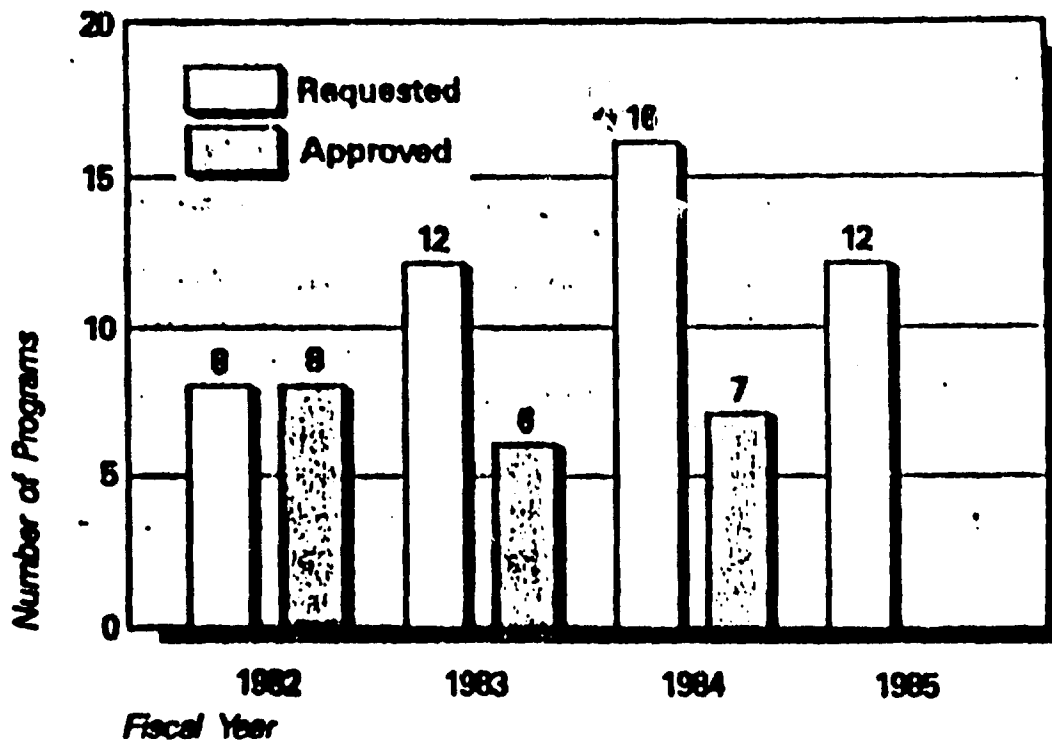
Multiyear procurement has been one of the most important as well as successful means of achieving greater program stability through the use of more economical lot buys. The expanded use of multiyear procurement was approved in FY 1982, and cost avoidance savings are estimated to be about \$4.4 billion. However, recent congressional actions have reduced the effectiveness of this initiative and threaten to impede future progress. Chart II.D.1 [see Figure 11 in this paper] shows congressional approval of multiyear procurement candidate programs over a three-year period. Notwithstanding this adverse trend in program approvals we are resolved to maintain our commitment to achieve savings and stability through out multiyear procurement initiatives. Twelve new multi-year candidates have been submitted in the FY 1985 budget. A strong effort will be made to win congressional approval. (76:91)

Congress must eliminate legislation which hampers effective management of the Defense Department. Under current conditions, this type legislation is causing taxpayers to pay more for national defense than is necessary. Congress justifies these restrictions through the use of rhetorical constructs of a military industrial complex. Dr. Kosta Tipsis points out how this notion can become entrenched.

Implicit in the belief that there exists a military-industrial complex is the conviction that military leaders and industrial managers collaborate to promote the development and procurement by the government of superfluous weapons systems. This conviction stems from the apparent fact that many of the existing strategic weapons do not in fact increase the security of the country; nor were they developed in response to a

Figure 11

MULTIYEAR PROCUREMENT CONTRACTS



Source: U.S. Superintendent of Documents, Department of Defense Appropriation For 1985. Hearings Before a Subcommittee of the Committee on Appropriations House of Representatives 98th Congress Second Session. Part 1. Washington D.C.: U.S. Government Printing Office, 1985. p. 92.

specific demonstrable defense need after a rational deliberation and decision within the executive branch of the government. Consequently many people reach the "conspiratorial" conclusion that these weapons systems are foisted upon the country for the benefit of some obscure yet organized military-industrial Cosa Nostra. (52:20)

It is this threat of a conspiracy that gives Congress the political leverage necessary to hobble the Defense Department with a vareigated mass of rules and inefficient procedures. To combat this fear, the Defense Department will have to engage in a public relations campaign of its own. The aim of the public relations efforts is first to convince Congress of the rewards of using sound management techniques and, secondly, to assure Congress and the public the use of these techniques will not lead to costly and repugnant activities.

Turning now to the biennial budget as a solution to budget review problems, this paper begins with an overview of congressmen's interpretation of its role following enactments of the FY 86 Defense Authorization Act. Congress has not published a schedule of biennial budget review events. However, budget action to date on the FY88/89 budget proposal suggests Congress intends to authorize and appropriate in the budget year. Oversight and policy evaluation will apparently occur in the off budget year. This supposition is consistent with the SecDef's perception of events. (110:1) Assuming Congress corroborates this apriority will it result in a better, more effectual budget review process?

To answer this question requires examination of the primary grievances against the current budget review procedure. Summarizing them:

- 1) Failure to enact the budget before the beginning of the fiscal year.
- 2) Associated with the first complaint is the frequently used invidious CRAs.

- 3) The congressional tendency to become immersed in line item details without surfacing to view the Defense strategy.
- 4) The transcendancy of the budget review procedure.
- 5) Congress' exiguous attention into oversight. (72:611-612)

Of the five grievances listed above, the first three bear a close relationship to one another. For example, the first problem listed begets the second and the third is a causal factor of the first. Because of their close association this paper will analyze the first three en masse.

The first three common criticisms of congressional budget review will not be truly solved through the implementation of a two year budget. Nothing in P.L.99-145 changes the focus of congressional review from the micro line item picture to the macro defense policy portraiture. Congressional action to date on the primogenital defense biennial budget confirms this exegesis. As of 11 December 1987, Congress had not completed any action on the 13 appropriation bills for the FY88 budget proposal. (27:1) Although advocates of the two year budget procedure hoped a switch to biennial budgeting would ameliorate the conditions underlying Congress' habitual tardiness there isn't any empirical evidence to support this contention.

To fully understand why biennial budgeting will not solve the first three criticisms, it is necessary to comprehend the reasons underlying Congress' immutable dilatory behavior. There are five. First, Congress was not organized to be efficient. (4:242) Constitutionally, members of the House must run for reelection every two years. Senators don't face this quantlet quite as often. They are elected for six year terms. Therefore, members of the House, more so than Senators, are under constant political

stress. (5:74) This leads to a situation where Congressmen prefer to deal with issues that yield direct and immediate benefits for their constituency. Necessarily these issues must be concrete, palpable and ponderable to be understood and appreciated by the electorate. (4:217) The line items of the Defense budget are one of the few places Congressmen can find this type of political succor. The size alone of the Defense budget casts an aura of having enough room to accommodate a large number of political interests. Hence, the defense budget has become a bona fide target for parochial exploitation.

In truth the defense budget is only 30% of the total federal budget. However, in point of fact, it contains 70% of the funds Congress can manipulate in any single budget cycle. (9:40) Therefore, it is a fertile area for political cultivation. (4:241)

Secondly, Congressmen try to avoid involvement in eristic incorporeal matters. Politicians find it isn't conducive to political longevity to regularly engage in debate over ethereal, controversial and unprofitable topics. Hence, they avoid the more sententious defense policy problem. (33:614)

Third, there is the proliferation of congressional committees and subcommittees. The committees and subcommittees hold hearings and conduct debates on a wide variety of defense related subjects. Between 1955 and 1985 the number of congressional committees increased 30%. (16:97) Committee assignments for House members increased 50% during this period while Senate assignments grew by 35%. (16:100) The cause for this inimical expansion was in part caused by more complex issues coming before the legislature, and in part, by the increase in professional lobbies. (5:78,81) Lobbyists

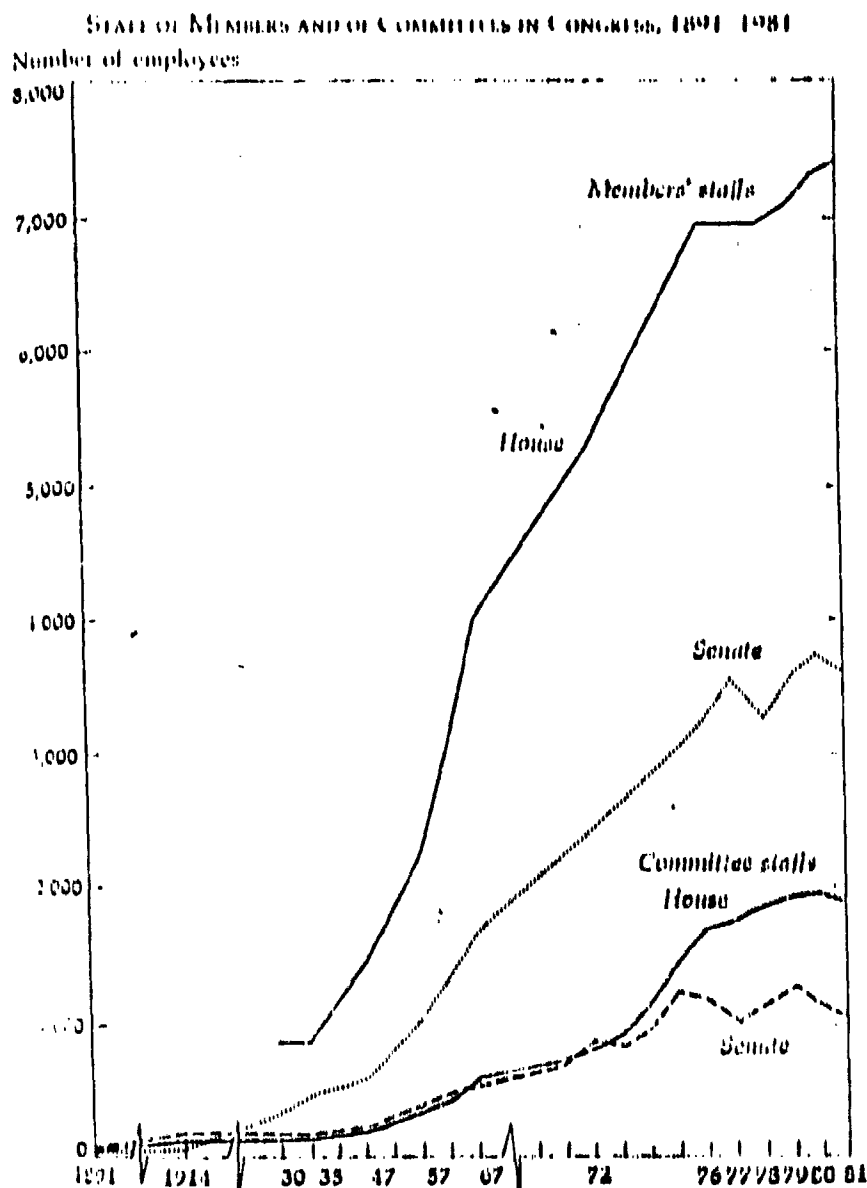
have sectarian interests. To make sure these interests are adequately protected, they push for increased representation. (5:81) Hence, Congress has gradually increased the number of committees and committee assignments to assuage the constant appeals of the lobbyists, and provides a more narrowly defined arena for the exercise of congressional oversight. (16:97) The intent was to preserve order, enhance the sagacity of congressional actions, and deal with political reality. However, the intent was not achieved. Instead, personal agendas of committee members held sway over orderly prosecution of legislative responsibility. Factionalized control over budget review induced chaos resulting in an unintended and undesirable elongation of the budget process. (78:37)

To fully appreciate the effect proliferation of congressional committees has on the budget process, consider these figures from 1983. In 1983, the Defense Department sent 1306 witnesses to testify for 2160 hours in 100 appearances before 96 different committees and subcommittees. (45:9) This was a 300% increase over 1970.

The increase in committee assignments meant congressmen had less time for study and preparation for committee hearings. To compensate for their personal inability to devote adequate time to individual topics, congressmen increased their staffs. (5:82) Figure 12 graphically portrays the growth of congressional staffs. (16:110-111) To be useful, the staff members need information. The Defense Department was the principle repository for defense data. Therefore, with increasing regularity defense officials were called to testify before a wider variety of congressional groups, (85:406) and answer staff requests. Returning to 1983, the record shows DoD answered 85,000 written inquiries and 600,000 telephone calls.

Figure 12

STAFF OF MEMBERS AND OF COMMITTEES IN CONGRESS, 1891-1981



Source: Ornstein, Norman J., et. al. Vital Statistics on Congress, 1982. Washington D.C: American Enterprise Institute For Public Policy Research, 1982, p. 111.

In addition, the Pentagon provided 21,753 pages of justification for the FY84 budget proposal. (45:9)

The fourth reason Congress has difficulty adhering to its self-imposed timetable is its overall organizational structure. Congressional reformers rewrote the once stiff House and Democratic caucus rules that held dominion over legislative review for forty years. (5:75,77) Committee chairmen had their once sovereign power tremendously diluted by the new rules. No longer could the Administration concentrate on selling their programs to a few influential politicians and be assured of smooth legislative sailing for its programs. The reforms "Balkanized" the budget review process. Subcommittees began to operate almost autonomously. (5:77)

Decision making, which is essentially the purpose of the budget review procedure was greatly effected by this turn of events. Decision making requires a consensus of opinion and accord on defense goals. The new scheme greatly complicated and lengthened the decision making process, because of this trend toward anarchy.

The final reason for congressional perpetual lateness is the structure of the budget system. Congress does not have an analytic process to link resource allocation decisions to national interests. (4:241) The Pentagon uses PPBS to establish a rational link between the two. Congress lacks a comparable mechanism which hinders assessment of alternative courses of action. Without a reliable method to equate actions to outcomes, Congress spends considerable time in vacuous indeterminate, and inconsequential debate.

These five reasons are meant to show the depth of the problem. Clearly the total solution lies beyond the scope of a superficial change from one

to two year budgeting. As a short term answer to budgeting irritants, such as the use of CRAs, biennial budgeting is an expedient, but it lacks the sinew to deal with choate problems in a lasting way. Because it treats symptoms and not causes, biennial budgeting will not produce durable benefits. It is not the long term solution hoped for, or desired by its advocates, but it can alleviate the current crunch long enough to work on and implement an efficacious, enduring cure.

The budget problem is a multifarious infirmity as has been demonstrated. The mechanism for a complete cure entails additional, more pervasive adjustments to congressional procedures. The first step toward achieving a diuturnal remedy is to streamline, consolidate, and eliminate the number of committees with authority to review the defense budget. (20:82) Not only will this immediately shorten the budget review process, it also will sharply discount the hours DoD officials would spend on the Hill. This is a broad suggestion made on a conceptual level.

To operationalize this suggestion, consider two proposals previously presented to the Congress. The first is Senator Domenici's plan for unifying the House and Senate Budget committees into one joint committee. The joint budget committee will have the power to establish spending and taxing limits at the outset of the budget review process. Because it is joint, budgetary disparities between House and Senate estimates will be resolved at the beginning of the budget review vice the end. This will make subsequent debate more meaningful because it will be based on a firm TOA. Furthermore, this move deletes the requirement for two concurrent budget resolutions. The joint committee will establish one binding resolution. Therefore, Congress will limit its discussions to options within these

concrete fiscal boundaries as opposed to the rather asomalous boundaries now in use. The result will be the hoped for shorter budget review.

To further shorten and streamline the budget review procedure, this paper looks at a second proposal previously presented to the Congress. The second proposal is the Obey bill outlined earlier. It proposes an omnibus budget bill be used to finance the government, the omnibus budget bill supports shortening the budget process because it proposes to consolidate all thirteen appropriation bills currently in use into one single piece of legislation. (50:3033) The omnibus budget bill by virtue of this consolidation compresses budget debate and reduces the number of times congressmen must vote on budget legislation. In addition to shortening the budget review cycle, the omnibus bill allows congressmen to view the total federal spending picture, not just one piece of the pie. This big picture overture allows Congress to more sagaciously consider resource allocation decisions that inevitably presage the culmination of the budget process. In this manner, it also favors the macro approach to budget review.

The Obey omnibus budget bill puts forth a plan not totally alien to Congress. The plan for budget review in the Obey bill is similar to the blueprint now used by Congress to enact continuing resolutions. Salient similarities include an all inclusive composition and singular consideration by the legislature. However, the Obey bill offers one additional advantage not present in the CRA procedure. It will expunge any political masquerading on budget issues. As the author puts it "The existing process rewards phonies on the floor. It allows people to posture and vote for spending choices without feeling the consequences." (50:3034) Representative Matthew F. McIlhugh (D-N.Y.), chairman of the Democratic Study Group, (a

liberal research organization) said of David Obey's bill, "The Obey proposal is designed to make votes on the budget real." The Obey bill is good in that it tears away the political camouflage and restores accountability to the legislative process.

The Obey bill complements the Domenici plan in conceptual operation. One key component of both these plans is the elimination of one of the concurrent budget resolutions. Conceptually, they seek to do away with the first resolution; operationally it is the second one that is excised. What this means is the timing of the first resolution is perfect for congressional review purposes but the resolution itself lacks teeth. It fails to bind Congress to aggregate revenue and spending targets. Its lack of force meant little effect was put into its preparation. Fiscal policy preparation lapsed into little more than calculation of anticipated revenues less expenses. (13:26) A meniscule amount of study was done on the US economic picture and use of congressional budgetary devices to strengthen it. Therefore, it consumed precious legislative time and provided paltry gains. Hence, the first concurrent budget resolution has become a simulacrum of a legislative document. Caps on spending were set high enough so as to avoid confrontation among members of Congress who were concerned there wouldn't be enough money to fund their pet projects. (13:26) Taxation was often ignored. (13:25)

In contrast, the second budget resolution has the muscle to form a nexus between congressional rhetoric and votes on employment of scarce resources. Spending and taxing limits established in the second budget resolution bring congressmen face-to-face with reality. They are forced to decide if the cost of their program is worth the political penalty of

increased taxation. In this situation, persiflage ceases and genuine negotiations start.

For these reasons, the single resolution proposed by the Domenici and Obey plans should have the visage of what is now the second budget resolution, but for scheduling purposes, occur at the point in the process of the first resolution.

Use of a single budget resolution is not foreign to Congress and therefore would not be rejected out of hand. In 1982, Congress opened the door to consideration of this course of action by accepting a proposal that made the fiscal targets of the first resolution binding if the second resolution had not been enacted by 1 October. (20:73) Between 1982 and 1985, Congress has exercised (annually) the legislative loophole thereby establishing a precedence for the de jure elimination of the non-binding budget resolution.

As has been shown, the combined effect of the Obey and Domenici plan will shorten the budget review procedure, curtail the use of CRAs, and free congressmen from the shackles of budget review to attend to other matters.

Biennial budgeting as a solution to the fifth grievance, the failure to attend to oversight responsibilities, holds some promise. The two year cycle, if properly apportioned, allows time for exercise of congressional management of inspection tasks.

Forty years ago, the Armed Services Committees did more policy evaluation and less line item review than today. (11:403) Therefore, there is historical precedence for a reinitiation of congressional examiners of the macro picture of defense posturing. The five conditions listed above as underlying congressional behavior were also instrumental in creating an

environment that promised the ascendancy of line item scrutiny and the demise of policy quantity control.

The author supports development of an oversight group. This group should have a deep and abiding interest in defense policy and strategy issues. It seems the members of the congressional Military Reform Caucus would form an excellent core of attuned, sapient politicians for this purpose. (4:242-247) It also seems shrewd to have this committee reside in the Senate since the issues will not be of the type preferred by officials constantly running for reelection.

Summary

In this chapter BPPBS and biennial budgeting have been analyzed. BPPBS as a tool for producing the biennial budget is excellent. The fine tuning done by Mr. Furitano, former Secretary Weinberger, and Secretary Carlucci have honed this process to its peak. Unfortunately, BPPBS is reactive. It must adapt to the current congressional budgetary review procedures. These review procedures limit BPPBS efficacy. Biennial budgeting has been shown to be a stopgap measure. It will be effective and buy time for Congress to make meaningful alterations in present procedures. It is not a long term solution in and of itself. Put in the form of a program evaluation review technique (PERT) chart, events in Congress would lie on the critical path to an operational budget. To effect a change in the production timetable, events along the critical path must change. The proposals put forth in this chapter are meant to shorten the length of the critical path and restore efficiency to the budget production mechanism. If Congress employs any of these suggestions it will benefit the federal government,

the defense establishment, and the American people, by freeing elected representatives from some of the onerous tasks of fiscal management and replace them with macro management of national policy and strategy.

CHAPTER FOUR: CONCLUSION

Defense spending represents the largest sector of the federal budget controllable by Congress. Currently structural impediments act to protect some components of defense spending while freely sacrificing others. Both these activities occur without regard for their effect on defense policy. As this article has demonstrated, defense appropriations fall prey in varying degrees to parochial political attack. Battlelines are formed between those for and against a particular issue. Caught in the middle is the defense establishment, and ultimately, the American people. Politicians focus on the potential for short term benefits. They disregard the distributive consequences their action has on the national economy.

This paper began with the review of the budget preparation and enactment process. It then transitioned into a historical account of the birth of biennial budgeting and BPPB. The last chapter analyzed both BPPB and biennial budgeting in terms of their capacity to deal with problems found by researchers. The analysis showed BPPB to be superior to PPB. On the other hand, the analysis also showed biennial budgeting would fall short of the expectations of its architects.

The solutions proposed in this paper represent an attempt to reorient the political attention on the long run implications of present day actions. If approved, these proposals will establish a framework that displays both the near and far term repercussions of contemporary trade-offs so politicians and voters alike can evaluate alternative courses of action and prudently decide which to select.

In judging the validity of the solutions proposed in this paper, the reader must begin with a normative assessment of the proper role of Congress in defense policy formulation. Should Congress become involved in the development of military strategy? If so, how deeply? When asked this question, one former senator answered, "God help the American people if Congress starts legislating military strategy." (4:247) While the author agrees Congress is not in the strategy formulation business, it is incumbent on legislators whose task it is to rule on defense programs to understand military strategy. Otherwise, they cannot intelligently evaluate programs purported to support it.

In summary, the story of biennial budgeting is one of procedural reform, timeliness, and oversight. Reforms discussed in this paper are aimed at correcting the dysfunctions in defense budgeting. Dysfunctions such as the inability to pass the budget on time and the lack of a coherent oversight plan. These reforms offer the possibility of overcoming negative aspects of congressional treatment of the defense budget. Moreover, they offer the possibility of a more propitious relationship between the Pentagon and Capitol Hill.

However, in articulating these expectations of improvement, a note of caution needs to be interjected. The problems discussed in this paper stem from the very fiber of the American political process. Powerful political factors created these problems. Hence, the changes proposed in this paper will not come easily. They are not expected to quickly change habits ingrained in the system over the past 25 years. Yet, if some further action is not taken, political backsliding will surely return the system to its former self.

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